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47th Cong., } 1st Sess. } SENATE. { Ex. Doc. No. 69.

MESSAGE

FROM THE

PRESIDENT OF THE UNITED STATES,

TRANSMITTING,

In response to Senate resolution, January 5, 1886, letter of the Secretary of the Interior, with copies of reports of Government directors Union Pacific Railroad Company.

February 4, 1886.—Read and referred to the Committee on Printing.

Executive Mansion, *February* 4, 1886.

Sir: In response to Senate resolution, dated January 5, 1886—

> That the Secretary of the Interior be, and hereby is, directed to communicate to the Senate a copy of each report made by the Government directors of the Union Pacific Railroad Company, from the date of first appointment of such directors to the present time,

I transmit herewith a communication from the Secretary of the Interior, dated the 2d instant, with the copies required.

GROVER CLEVELAND.

The President of the Senate *pro tempore.*

Department of the Interior,
Washington, February 2, 1886.

Sir: In response to Senate resolution of January 5, 1886—

> That the Secretary of the Interior be, and hereby is, directed to communicate to the Senate a copy of such report made by the Government directors of the Union Pacific Railroad Company, from the date of first appointment of such directors to the present time,

I have the honor to transmit herewith the copies of papers called for in said resolution, in order that they may become an Executive document.

Very respectfully,

L. Q. C. LAMAR,
Secretary.

The President.

REPORT OF J. L. WILLIAMS, GOVERNMENT DIRECTOR OF THE UNION PACIFIC RAILROAD, NOVEMBER 14, 1864.

FORT WAYNE, IND., *November* 15, 1864.

SIR: The undersigned, one of the Government directors of the Union Pacific Railroad, and member of the committee on location and construction, having recently visited the line of operation at the request of the directors on the part of the Government, respectfully communicate such information as should be in the possession of the Department, under the requirements of the thirteenth section of the amended act, filing a copy of this communication in the office of the company in New York.

The arrangements for the eastern terminus of the road, on the west bank of the Missouri River, at Omaha, appear judicious, affording every facility for handling freight to any amount. Ample grounds have been promised to the company, covering the river front for one and a half miles, the conveyance of which has not yet been fully perfected. The grounds are chiefly on the low river bottom, but with small expense of filling can be made secure from all floods.

The crossing of the river with the traffic interchanged with connecting roads from the east is the important question here. For the present it must be by ferry, which, from the shifting sand-bars of the Missouri, is more difficult than in other rivers. The most reliable ferry is about one mile above the center of Omaha, and this necessarily becomes the present starting point for the track, where rails and other materials will be delivered and the transfer freight house erected. From this the line passes along and near the river to the mouth of a small stream or ravine at the lower part of the town, coming in from the southwest, through which it makes the ascent of the river bluff. The passenger and local freight station, with the machine-shops, &c., can be built at any convenient point in front of the town.

The more perfect mode of crossing by bridge has, of course, been kept in view in the location. The engineer in charge, Mr. Dey, doubts the practicability of keeping a draw-bridge channel at all times open, and has therefore arranged his line so as to admit the alternative of a high bridge crossing, at the higher ground just below the town. At this point he proposes a grade line about 50 feet above highest water, and 65 feet above low water, clearing the pilot-house of all steamboats, but not high enough for their chimney pipes to pass under without being lowered. Under this arrangement, chimneys of Missouri River boats would be constructed with a joint. The fact that this navigation stands to some extent by itself, the stream requiring a different construction of boats, and that in the actual course of trade boats adapted to other tributaries of the Mississippi seldom ascend the Missouri, tends to lessen the inconvenience of such a requirement. If, however, during the time that will elapse before the river shall be bridged the practicability of keeping a draw channel free from sand deposits shall have been demonstrated, of which I have strong confidence, with the known skill of engineers in changing and controlling river currents by artificial works, then a low bridge may be constructed at the most suitable point above or in front of the town.

But there remains the question of founding securely a bridge in a river like this whose bed seems to be but one mass of light sand moving from point to point with the changes of the current.

The practicability of bridging the Missouri has been doubted by many. The very extensive and careful soundings made by Mr. Dey, as marked upon his lithographed map, show at Omaha a substratum of clay at the depth of about 28 feet below low water, covered by 12 to 20 feet of sand. By dredging off the sand, until bearing piles can be driven through what remains to the clay, cutting off these piles under water, sinking a timber crib upon them and then filling around the pier with loose stone (riprap), a foundation can be made upon which a stone pier of any height may securely rest. I therefore entertain no doubt of the entire feasibility of bridging the Missouri for the passage of this great national thoroughfare. The bridge will be about 2,230 feet long, which is the width of the channel at this point.

In the location westward, the first stream of much size is the Elkhorn River, which here skirts the northeastern boundary of the Platte Valley. Between this valley and the Missouri a belt of high table land intervenes, some eighteen miles in width, the general level of which is from 200 to 300 feet above the starting-point on the Missouri bottom, and 75 to 150 feet above the valley of the Platte at the Elkhorn. This table land is cut transversely with the line of the Pappillon Creek and its east and west branches to the depth of 100 to 200 feet, so that the whole distance presents an undulating surface, with no valley leading for any distance in the direction of the route. Over such a surface favorable grades cannot be obtained. By curving some three and a half miles south of the direct line the valleys of the main and east Pappillon are both crossed in one near their junction, thus avoiding one summit. This curve southward is favored by the southwesterly direction of the ravine necessarily followed as the natural outlet from the Missouri Valley at this point.

In adapting the grade-line to this undulating surface there are in all over 4 miles, 79.2 feet per mile ascending eastward, the longest continuous grade being 2 miles. The evil of this steep grade is aggravated by the occurrence with it of curvature as short as 1,432 feet radius. The maximum grades ascending westward are 66 feet per mile, of which the longest is 3 miles, rising out of the Missouri Valley. The several ridges terminating these grades are to be cut down from 28 to 42 feet. Deeper cuttings and higher embankments would have slightly reduced these grades, and I think the object would have justified some increase of expense. Yet without great cost no very essential reduction of maximum grade is practicable on this location. In thus running across the drainage the length and height of the natural slopes relatively must in a great degree control the grade. It is much to be regretted that this elevated and uneven formation should have interposed just at the beginning of this great road, compelling the adoption of grades so much higher than will be necessary on any part of the next 500 miles, and higher than is proposed on the connecting roads of Iowa. It is, however, chiefly a question of expense in working, not affecting the practicability or the success of the work. The evil is lessened by the fact that the large preponderance of tonnage will be westward, corresponding with the lower ascending grades. Additional motive power, at large cost, will be used at this end of the road over the first 23 miles. And when the freight traffic shall have become larger it will be better to make up the long trains for the west on the Elkhorn flats, adapting the number of cars to the nearly level grade of the Platte Valley, and running them in short sections over the first 22 miles of high grades. But under the best plans the stubborn fact of those steep grades remains, and must ever be felt in the expense of working the road and maintaining its machinery.

After crossing the Elkhorn by a bridge of 200 feet water-way we are fairly in the great Platte Valley, which is here 8 or 10 miles wide. For the next 20 miles over which we passed, reaching 4 miles above Fremont, this valley offers a cheaper line, as respects grading and bridging, than I have seen on any other railroad route for an equal extent. The concurrent statements of travelers and engineers represent the valley, as also the South Platte, as having the same general characteristics to the base of the mountains, with the additional expense of a few long bridges, such as Loupe Fork and the Platte.

For 500 miles the grades will probably vary from 5 to 20 feet per mile, conforming generally to the natural ascent of the valley.

Reaching the base of the first mountain range, the real difficulties of the work will begin. Five engineer parties have been engaged during six or eight months of the past season in preliminary surveys of the several passes through the mountain ranges between the valley of the South Platte and Salt Lake under the immediate orders of Mr. Dey. One of these parties, engaged on and near the hundredth meridian, was driven in before completing its work by the Indian hostilities. As the results will be fully reported by the engineers, I only make this brief allusion to these important mountain surveys, suggesting, however, that time should be given for very thorough examinations before the route is determined.

The question of suitable material for building a good railroad, such as the Government has a right to expect from its liberal contribution, was a subject of inquiry. For the first 5 miles from Omaha the culvert and drain masonry has been built of good limestone, found in the river bluff. The masonry, though not in the best style of workmanship, will no doubt stand. Further out, in the vicinity of the Pappillon and the Elkhorn, a coarse, dark-colored sandstone is found, of which the engineer proposes to build the bridge abutments and drains. I think its durability questionable, though none better has yet been found in that vicinity. If used in bridge abutments, or in any exposed position, it will probably have to be replaced from better quarries very soon. Along the Platte no good building stone has been discovered, and the engineer proposes timber for bridge-piers, as well as for the ordinary trestle-work.

Mr. Dey has, however, discovered what he esteems a very valuable limestone quarry on the Pappillon, some seven miles south of the route, from which, by laying a railroad track of that length, he thinks an ample supply of good building stone can be procured, not only for renewing all timber structures in the Platte Valley, but for the proposed bridge over the Missouri. This, if realized, will be a valuable resource to the work.

The question of suitable timber for ties is one of difficulty. When the mountains shall have been reached, it is said that sufficient cedar can be procured. But along the Platte such timber as should be placed in a railroad track is manifestly wanting. For the first 100 miles now under contract the engineer proposes procuring ties up the Missouri, about one-sixth oak and the remainder cottonwood. Mr. Henry, one of the directors who, together with Colonel Seymour, consulting engineer, accompanied me, as also Mr. Dey, engineer in charge, give the assurance that the cottonwood tie shall be Kyanized or Burnetized, by which process they hope to render them perhaps more durable than the best oak. This or some kindred process is essential. Cottonwood in its natural state will decay in three or four years.

Arrangements for energetic prosecution of the work seem to be in progress, though the scarcity of labor is a hindrance difficult to overcome. When I passed over the line, October 24, the grading of the first five miles from Omaha was well advanced, and the first seven miles in the Platte Valley, of the very light work before described, was nearly ready for the track. About 200 men and the same number of horses and oxen were then employed, with two excavating machines, each doing the work of many men. The engineer contemplates a commencement of track-laying by 1st June next.

The progress of this work will be greatly hindered for the want of a railroad connection across the State of Iowa, the Missouri River navigation being unreliable for the transportation of materials. Under the circumstances, the completion of some one of the Iowa roads to Omaha is a matter of national interest.

Very respectfully,

J. L. WILLIAMS.

Hon. J. P. USHER, *Secretary of the Interior*.

REPORT OF GOVERNMENT DIRECTORS, JULY 8, 1865.

NEW YORK, *July* 8, 1865.

SIR: In compliance with the request contained in your letter of the 10th ultimo, the undersigned Government directors of the Union Pacific Railroad have the honor to say that they entered upon the duties of their appointment during the first week of October, 1864, and soon after the amended charter was accepted by the company. Their first act was to request and direct one of their number, Jesse L. Williams, esq., to visit the line of the road in Nebraska and examine the location and progress made in construction. During the same month Mr. Williams proceeded to Omaha, and from thence a distance westward of over 40 miles, and as far as the construction was under progress.

At our next quarterly meeting Mr. Williams made a report of his reconnaissance, dated November 15, 1864, which was by our direction forwarded to the Department of the Interior. A printed copy of that report (A) is hereto attached and made a part of this communication. At your suggestion, contained in your letter of the 10th ultimo, we detailed one of our number, Springer Harbaugh, esq., to accompany Colonel Simpson, an officer of engineers, sent out by the orders of the President. By telegram received on the 5th instant we learned that Colonel Simpson and Mr. Harbaugh arrived at Omaha on the 4th instant, and on the 5th would proceed to examine the line. On his return we will instruct him to make you a detailed report supplementary to this.

In October, 1864, when we assumed the duties of our appointment, we found that in the months of August and September previous a contract had been arranged and consummated by the executive committee, in which are vested the powers of the board when not in session, for the construction and equipment of the first one hundred miles of the road west of the Missouri River, at the rate of $50,000 per mile, payable $5,000 per mile in the stock of the company and the balance in the currency bonds of the Government and the securities of the company. From the first the contract price appeared to us to be very high. At present, with the probable decline in the cost of labor and materials and advance in the value of the Government bonds, it seems extravagant. When made, however, there were many considerations justifying a liberal price, and among them was the pressing necessity for the immediate progress of the work in order to meet the terms of the law and save the charter.

Again, to construct and equip 100 miles of the road by the time named in the law would require $2,000,000 or more in cash to be advanced before either the Government bonds or the securities of the company could be made available. Capitalists could not be expected to make such advances in a frontier undertaking like this, so distant from commercial centers, and the entire completion of which to the Pacific was so remote in point of time, and its immediate profits, therefore, so problematical, without a large margin in the contract. Again, the summer of 1864 was a dark period in the progress of the war for the Union, and the financial future of the nation, upon which depended the value of these Government currency bonds, and without which the road cannot be built, was very unpromising. The undersigned have not in the past, nor could they in the future, of choice, favor the mode of building railroads by large contracts like this, which increases the cost of the work by large profits to contractors and capitalists. Nothing but public necessity can justify it. Such necessity, however, frequently arises in new countries, and we believe exists in respect to this work as the law now stands. If the more economical plan of giving small contracts to those who actually perform the work under free competition, payable in cash, could be pursued, thus saving intermediate profits, the cost of this great work could be reduced from 20 to 30 per cent.; but by the method in which Government aid is furnished to the company, and which is according to the usage of Government in aiding public works, the adoption of any such plan is impossible. We trust, however, that more moderate profits and free competition will be the rule in all future contracts.

We have considered it among our highest duties to aid the company in pressing forward the work and to secure a good road. No national interest seems to us more urgent than the development of our vast mining region, now greatly hindered in the tedious and expensive mode of access. If liberal compensation on the first section shall quicken the work in its progress toward the mountains, the country will find in this compensatory advantages.

At the quarterly meeting held in January, 1865, we found that Colonel Seymour, the consulting engineer of the company, had recommended a change of the line near Omaha with a view of avoiding certain heavy grades of 80 feet per mile. In this recommendation Mr. Williams, one of our number, who had in the previous month of October carefully inspected the old line, concurred, on condition that the basis assumed by Colonel Seymour as to the new route should be verified by careful survey. His views and reasons were embodied in a letter addressed to the vice-president of the company (B), dated January 2, 1865, a printed copy of which is attached and made part of this report. At the April meeting the line was changed with the concurrence of the undersigned.

It may be proper to state here that two of our number, Mr. Carter and Mr. Harbaugh, were appointed Government directors under the original act of Congress passed July, 1862. They attended at the organization of the company, and at all subsequent meetings of the board until the acceptance by the company of the act of July, 1864. Previous to the time when it became necessary, under the act of July, 1862, for the President of the United States to fix the "point of the western boundary of the State of Iowa," Mr. Carter, at the instance of Mr. Harbaugh and himself, proceeded to Omaha and spent some time in examining that and other points for crossing the Missouri River so as to connect with the railroads in Iowa. He submitted the results of his investigations to the President and the Secretary of the Interior in a personal interview, and thus assisted them in their action under the act of July, 1862.

The Government directors have been punctual in their attendance upon the regular quarterly meetings of the board, and are gratified in being able to testify that they have always observed on the part of the company and the executive officers commendable zeal and an earnest desire to hasten the construction and completion of this great national work. The progress already made in the grading, and also in the purchase and shipment of iron rails, justifies our belief that at least 50 miles of the road will be finished and equipped by December next, and that the remaining 50 miles to make the number required by the charter will be finished by the time limited, the last of June, 1866.

The undersigned have been impressed with the importance of selecting for this work, the great channel of commerce between the two oceans, not only a practicable route across the mountain ranges, but the very best route; and with this view have urged upon the board and the executive officers the propriety of very thorough and extended surveys. Though attended with great expense in this distant region, disturbed as it has been by Indian hostilities, yet experience proves that no money is more wisely expended than that which is applied in preliminary surveys. In this preparatory work the company has evinced commendable liberality.

During the season of 1864 four engineer parties were kept in the field, while a fifth, under orders to make surveys in the vicinity of the one hundredth meridian, was driven in by the Indians. The leading results reached during the year were, first, that the route via Denver City and the contiguous gold region, from the great elevation of that part of the mountain range and the depth and ruggedness of its cañons, is impracticable, and, secondly, that either of two routes crossing the Black Hills further north is quite feasible, though requiring some heavy work with high grades, probably equaling in difficulty for a short section the most rugged portions of the route of the Baltimore and Ohio Railroad. One of the lines follows the Lodge Pole Creek from its junction with the South Platte through the Cheyenne Pass, reaching an elevation on the summit of 8,661 feet above tide, requiring a tunnel 1,500 feet long. The other and more southerly route diverges from the South Platte Valley near the mouth of the Cache la Poudre Creek, following up the valley of that stream and crossing the mountain summit at what is called the Antelope Pass, 8,091 feet above tide. No tunnel is required at this pass. These surveys were connected at the Laramie plains, and thence continued westward to Salt Lake City, finding for the whole distance a practicable route. As the reports of the engineers accompanying the annual report of the directors give full and interesting details, nothing further than this general glance at the subject of these surveys and explorations is called for from us.

For the field work of 1865 two full engineer parties have been sent out with a third party numerous enough for separate explorations in advance. The instructions given by the vice-president for the season's work cover the location from the one hundredth meridian to the eastern base of the Black Hill range, together with a survey of the South Pass route, via the North Platte, and also the ascertainment of the fact whether or not a better route than the one surveyed last year from the Black Hills to Salt Lake can be found further south, passing through the basin of the Green and Uintah Rivers.

At the July session just closed no business of importance was transacted, with the exception of authority given to the executive officers to issue bonds and execute mortgages, under the authority of the acts of Congress, and especially that of March 3, 1865. Two distinct mortgages are contemplated—one on the road of the same amount and tenor of the Government bonds, and the other upon the land grant to the amount of $10,000 per mile.

Agreeably to your suggestion we shall hereafter make quarterly reports to the Department.

Respectfully submitted.

CHAS. T. SHERMAN,
GEO. ASHMAN,
T. J. CARTER,
J. L. WILLIAMS,
Government Directors.

Hon. JAMES HARLAN,
Secretary of Interior.

EXHIBIT A.—*Letter of J. L. Williams on location and progress of Union Pacific Railroad.*

FORT WAYNE, IND., *November* 15, 1864.

SIR: The undersigned, one of the Government directors of the Union Pacific Railroad, and member of the committee on location and construction, having recently visited the line of operations at the request of the directors on the part of the Government, respectfully communicates such information as should be in the possession of the Department, under the requirements of the thirteenth section of the amended act, filing a copy of this communication in the office of the company in New York.

The arrangements for the eastern terminus of the road, on the west bank of the Missouri River, at Omaha, appear judicious, affording every facility for handling freight to any amount.

Ample grounds have been promised to the company, covering the river front for one and a half miles, the conveyance of which has not yet been fully perfected. The grounds are chiefly on the low river bottom; but with small expense of filling can be made secure from all floods.

The crossing of the river with the traffic interchanged with connecting roads from the East is the important question here. For the present it must be by ferry, which, from the shifting sand-bars of the Missouri, is more difficult than in other rivers.

The most reliable ferry is about 1 mile above the center of Omaha, and this necessarily becomes the present starting point for the track, where rails and other materials will be delivered and the transfer freight house erected. From this the line passes along and near the river to the mouth of a small stream or ravine, at the lower part of the town, coming in from the southwest, through which it makes the ascent of the river bluff. The passenger and local freight station, with the machine-shops, &c., can be built at any convenient point in front of the town.

The more perfect mode of crossing by bridge has, of course, been kept in view in the location. The engineer in charge, Mr. Dey, doubts the practicability of keeping a draw-bridge channel at all times open, and has, therefore, arranged his lines so as to admit the alternative of a high bridge crossing at the higher ground just below the town. At this point he proposes a grade line about 50 feet above highest water and 65 feet above low water, clearing the pilot-house of all steamboats, but not high enough for their chimney pipes to pass under without being lowered. Under this arrangement, chimneys of Missouri River boats would be constructed with a joint. The fact that this navigation stands, to some extent, by itself—the stream requiring a different construction of boats—and that in the actual course of trade boats adapted to other tributaries of the Mississippi seldom ascend the Missouri, tends to lessen the inconvenience of such a requirement. If, however, during the time that will elapse before the river shall be bridged the practicability of keeping a draw channel free from sand deposits shall have been demonstrated, of which I have strong confidence, with the known skill of engineers in changing and controlling river currents by artificial works, then a low bridge may be constructed at the most suitable point above or in front of the town. But there remains the question of founding securely a bridge in a river like this, whose bed seems to be but one mass of light sand, moving from point to point with the changes of the current.

The practicability of bridging the Missouri has been doubted by many. The very extensive and careful soundings made by Mr. Dey, as marked upon his lithographed map, shows at Omaha a substratum of clay at the depth of about 28 feet below low water, covered by 12 to 20 feet of sand. By dredging off the sand until bearing-piles can be driven through what remains to the clay, cutting off these piles under water, sinking a timber crib upon them, and then filling around the pier with loose stone (riprap), a foundation can be made upon which a stone pier of any height may securely rest. I therefore entertain no doubt of the entire feasibility of bridging the Missouri for the passage of this great national thoroughfare. The bridge will be about 2,230 feet long, which is the width of the channel at this point.

In the location westward the first stream of much size is the Elkhorn River, which here skirts the northeastern boundary of the Platte Valley. Between this valley and the Missouri a belt of high table-land intervenes, some 18 miles in width, the general level of which is from 200 to 300 feet above the starting point on the Missouri bottom and 75 to 150 feet above the valley of the Platte at the Elkhorn. This table-land is cut transversely with the line by the Pappillon Creek and its east and west branches, to the depth of 100 to 200 feet, so that the whole distance presents an undulating surface with no valley leading for any distance in the direction of the route. Over such a surface favorable grades cannot be obtained. By curving some 3½ miles south of the direct line the valleys of the main and east Pappillon are both crossed in one, near their junction, thus avoiding one summit. This curve southward is favored by the southwesterly direction of the ravine necessarily followed as the natural outlet from the Missouri Valley at this point.

In adapting the grade line to this undulating surface, there are in all over 4 miles of 79.2 feet per mile ascending eastward, the longest continuous grade being 2 miles. The evil of this steep grade is aggravated by the occurrence with it of curvature as short as 1,432 feet radius. The maximum grades ascending westward are 66 feet per mile, of which the longest is 3 miles, rising out of the Missouri Valley. The several ridges terminating these grades are to be cut down from 28 to 42 feet. Deeper cuttings and higher embankments would have slightly reduced these grades, and I think the object would have justified some increase of expense. Yet, without great cost, no very essential reduction of maximum grade is practicable on this location. In thus running across the drainage the length and height of the natural slopes, relatively, must in great degree control the grades. It is much to be regretted that this elevated and uneven formation should have interposed just at the beginning of this great road, compelling the adoption of grades so much higher than will be necessary on any part of the next 500 miles, and higher than is proposed on the connecting roads of Iowa. It is, however, chiefly a question of expense in working, not affecting the practicability or the success of the work. The evil is lessened by the fact that the large preponderance of tonnage will be westward corresponding with the lower ascending grades. Additional motive power, at large cost, will be used at this end of the road, over the first 23 miles. And when the freight traffic shall have become large, it will be better to make up the long trains for the West on the Elkhorn flats, adapting the number of cars to the nearly level grade of the Platte Valley, and running them in short sections over the first 22 miles of high grades. But under the best plans the stubborn fact of these steep grades remains and must ever be felt in the expense of working the road and maintaining its machinery.

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Reaching the base of the first mountain range the real difficulties of the work will begin. Five engineer parties have been engaged during six or eight months of the past season in preliminary surveys of the several passes through the mountain ranges, between the valley of the South Platte and Salt Lake, under the immediate orders of Mr. Dey. One of these parties, engaged on and near the hundredth meridian, was driven in, before completing its work, by the Indian hostilities. As the results will be fully reported by the engineers I only make this brief allusion to these important mountain surveys, suggesting, however, that time should be given for very thorough examinations before the route is determined.

The question of suitable material for building a good railroad, such as the Government has a right to expect from its liberal contribution, was a subject of inquiry. For the first 5 miles from Omaha the culvert and drain masonry has been built of good limestone found in the river bluff. The masonry, though not in the best style of workmanship, will no doubt stand. Farther out, in the vicinity of the Pappillon and the Elkhorn, a coarse, dark-colored sandstone is found, of which the engineer proposes to build the bridge abutments and drains. I think its durability questionable, though none better has yet been found in that vicinity. If used in bridge abutments or in any exposed position it will probably have to be replaced from better quarries very soon. Along the Platte no good building stone has been discovered, and the engineer proposes timber for bridge piers as well as for the ordinary trestle-work. Mr. Dey has, however, discovered what he esteems a very valuable limestone quarry on the Pappillon, some 7 miles south of the route, from which, by laying a railroad track of that length, he thinks an ample supply of good building stone can be procured, not only for renewing all timber structures in the Platte Valley but for the proposed bridge over the Missouri.

This, if realized, will be a valuable resource to the work. The question of suitable timber for ties is one of difficulty. When the mountains shall have been reached it is said that sufficient cedar can be procured. But along the Platte such timber as should be placed in a railroad track is manifestly wanting. For the first 100 miles now under contract the engineer proposes procuring ties up the Missouri, about one-sixth oak and the remainder cottonwood. Mr. Henry, one of the directors, who, together with Colonel Seymour, consulting engineer, accompanied me, as also Mr. Dey, engineer in charge, give the assurance that the cottonwood ties shall be kyanized or burnetized, by which process they hope to render them perhaps more durable than the best oak. This, or some kindred process, is essential. Cottonwood in its natural state will decay in three or four years. Arrangements for an energetic prosecution of the work seem to be in progress, though the scarcity of labor is a hindrance difficult to overcome. When I passed over the line, October 24, the grading of the first 5 miles from Omaha was well advanced, and the first 7 miles in the Platte Valley, of the very light work before described, was nearly ready for the track. About two hundred men and the same number of horses and oxen were then employed, with two excavating machines, each doing the work of many men.

The engineer contemplates a commencement of track-laying by 1st of June next.

The progress of this work will be greatly hindered for the want of a railroad connection across the State of Iowa, the Missouri River navigation being unreliable for the transportation of materials. Under the circumstances, the completion of some one of the Iowa roads to Omaha is a matter of national interest.

Very respectfully,

J. L. WILLIAMS.

Hon. J. P. USHER,
Secretary of the Interior.

EXHIBIT B.—*Letter of J. L. Williams, on the location between Omaha City and Platte Valley.*

NEW YORK, *January* 2, 1865.

SIR: The consulting engineer, Colonel Seymour, having submitted a report, dated 21st December, recommending a change of location west from Omaha, I have prepared, at your request, and now submit, the following statement of the question, in its engineering and commercial aspects, based mainly upon a personal examination of the present location, made in October last, in company with Colonel Seymour, Mr. Henry, and Mr. Dey, the engineer in charge. The facts bearing upon the question may be stated as follows:

(1) The way traffic eastward from the mountains will consist chiefly of the product of the mines, most of which will be of little weight in proportion to value. As respects the through traffic eastward, only such articles of ocean commerce as are of great value and little weight, and which, therefore, can afford to pay land carriage, to save time and insurance, will be likely to come through by rail. On the other hand, the population of the extensive mining region of the mountains will be chiefly supplied with provisions and breadstuffs, as well as with merchandise, heavy groceries, and machinery from the Missouri Valley. We may, therefore, assume a tonnage westward as at least twice as great as that going east. Until finished through to the Pacific the difference will be far greater.

(2) Present location between Omaha and the Platte Valley, at crossing of the Elkhorn, is 23 miles, with maximum grades, ascending westward, of 66 feet per mile, and ascending eastward, 79.2 feet, or say 80 feet per mile, throwing off fractions.

(3) New route between same points as suggested by consulting engineer, following down Mud Creek to the Pappillon, and thence up its western branch, is 32 miles long, with proposed maximum grades of 40 feet per mile in both directions. The curvature is assumed to offer equal resistance on either line.

(4) The extension of the line up the Platte, from the point of intersection at the Elkhorn, will have grades ascending with the general inclination of the valley, for 200, or perhaps 400 miles, reaching a maximum at certain points, probably, of 10 feet per mile. As the same engine upon this grade will haul more than twice the load which it can bring from Omaha to the Elkhorn, even on the line of 40-feet grades, we may assume that in the practical working of the road, whichever route be adopted, freight trains will

be made up at this point with the number of cars adapted to the grade east or west, as the case may be.

According to Colonel Seymour's tables a 30-ton engine will haul westward from the Elkhorn on the 10-feet maximum grade fifty-six loaded cars, or, in practice, say fifty cars, which will make a train quite long enough for convenient working. The cost of hauling these fifty cars over the high grades from Omaha will be, comparatively, on the two lines, as follows:

An engine of 30 tons weight will haul over the 66-feet grades sixteen cars, or over the 40-feet grades twenty-five cars. It will save fractional calculations, and is accurate enough for comparison to assume three trains over the 66-feet grades, or forty-eight cars as equal to two trains, or fifty cars over the 40-feet grades. Then, supposing that the engine in each case, after delivering at the Elkhorn the number of cars due to a Platte Valley train, goes west with its last section without returning, it will have passed over the line of 66-feet grades, 23 miles in length, five times—115 miles' run—or over the line of 40-feet grades, 32 miles in length, three times—96 miles' run. This, at $1 per mile run of the engine, gives a cost of $115 on the present location for delivering at the Elkhorn forty-eight cars, and the cost of $96 for delivering at the same point fifty cars by the proposed new route, by way of Mud Creek and the Pappillon. The adoption of the longer line of 40-feet grades will, therefore, save $19 in the cost of motive power on each fifty car-loads, or on each 500 tons of westward-bound freight.

Eastward-bound freight need not be brought into the calculation upon the foregoing basis. If I am right in assuming twice as much tonnage west and east, then the cars going east will be but half loaded. On the short route of 23 miles there are 80 feet maximum grades ascending eastward, over which the return engine could haul thirteen loaded cars, making a gross load of 221 tons. But to equalize the cars going in both directions it must take sixteen cars on each return trip. Half of these return cars being empty, or all but half loaded, the gross load would be 192 tons. Upon this basis, with the large preponderance of westward freight, the 80-feet grades on the present location will in practice impose no extra cost so far as respects the mere cost of motive power over what is caused by the grades of 66 feet ascending in the direction of the greater traffic.

I have not deemed it necessary to enter into the question of passenger business. Until the new Territories are fully settled it will be heavier west than east. Passenger trains as made up at Omaha will run up the Platte unbroken and with the same engine to the first point of change, 80 or 100 miles distant.

There would be a waste in the excess of power required east of the Elkhorn even with 40 feet, and still more with 80-feet grades, over what is required on the low grades west. The exact value of this waste is difficult to estimate. Ordinarily, the short line could be run in some fifteen minutes less time than the new and longer route. But in the winter season the trip would often be made in less time over the longer route.

A saving of $19 on each 500 tons of western-bound freight would give, upon the yearly traffic, when it shall have reached 300,000 tons in that direction, an annual saving of $11,400. There would also be a material saving in wear and tear by adopting the more level route. Grades of 66 and 80 feet per mile are very destructive to machinery, and more so in the descent than the ascent. On the other hand, there is expense of maintaining 9 miles of cross-ties to be charged against the new line, equal to about $2,000 per annum.

The cost of construction is considered equal—the expense of changing the first 5 or 6 miles from Omaha running down the river, to be done at a future day, to get a 40-feet grade throughout, offsetting the estimated saving west of the point of divergence.

It must also be stated, that the full advantage of the lower grade on the new route, will not be realized until the change alluded to in the last paragraph shall have been made. Without this change there is still near 3 miles of high grade, ascending westward from 61 to 66 feet per mile, to be overcome, mitigated somewhat in its inconvenience, by being at the beginning of the road, where assistant engines can at all times be in readiness.

While my statement of the question differs in form, and works out, perhaps, a smaller saving than that reached by the consulting engineer, I concur with him in advising the change. For a business covering only the section of high grades between Omaha and the Elkhorn it might be a nearly balanced question whether to increase distance 40 per cent. for the proposed reduction of grades. But connected, as this section of the road is, with the 400 miles of 10 to 15 feet grade westward, this undulating section, with its grades of 66 and 80 feet, becomes a serious evil, affecting essentially the economical and beneficial working of this great national thoroughfare. And, in view of the peculiar relation of this first section of the road to the whole line this side of the mountains, I go farther than the consulting engineer, as respects western ascents, and recommend that the board limit its grades to 20 feet per mile ascending westward, and 40 feet per mile ascending eastward, maintaining still a lower maximum grade ascending west than east, equalizing, as near as may be, the power required to haul the outgoing and incoming trains, under the inequality of tonnage in the two directions, which, in all probability, will preponderate westward more largely than I have assumed. The Elkhorn Bluffs may require a 40-foot grade ascending eastward. But on the proposed route, by way of the Missouri, Mud Creek, and Pappillon Valleys, a maximum ascending westward, as low as 20 feet, cannot materially enhance the cost of grading.

While the principle of Colonel Seymour's report, to wit, an increased length of about 9 miles for a reduction of grades to 40 feet throughout, may be safely adopted, yet the actual change of this location should await the more careful surveys of the new route now in progress that the correctness of his basis may be verified.

It should be stated that the survey of the line by which the high grade at Omaha is hereafter to be avoided, has not yet been made, nor have I passed over the ground. For the first 3 or 4 miles, following the Missouri bottom, there can be nothing to prevent a grade of 20 feet. Should the narrow ridge between the river bottom and the parallel valley of Mud Creek prove too high to pass by a thorough cut, the company, when its means shall warrant, can well afford a short tunnel rather than a continued use of the 3 miles of 61 to 66 feet grade.

The commerce of the country in seeking its destination through the broad and level valley of the Platte, so favorable as an inlet to the great mining region and as a through route to the Pacific, should not be compelled to pass over the narrow belt of high undulating land separating the Missouri Valley from the Elkhorn, encountering in this short distance a total rise and fall of over 1,000 feet.

The further general remark may be made, in conclusion, that the undulating character of the country approaching the Missouri River, on both sides, forces railroad lines into the valleys, even though considerably lengthened thereby.

Very respectfully,

J. L. WILLIAMS,
Member of Locating Committee.

THOMAS C. DURANT, Esq.,
Vice-President Union Pacific Railroad Company.

REPORT OF DIRECTORS, NOVEMBER 6, 1865.

UNION PACIFIC RAILROAD COMPANY, PRESIDENT'S OFFICE,
13 *William street, New York, November* 6, 1865.

SIR: The directors of the Union Pacific Railroad Company, having just closed a meeting of the board in this city, I have the honor to herewith inclose you a communication, signed by Messrs. William Carter and myself, more particularly touching the progress of the work, in compliance with your request of 10th June. Please to acknowldge the receipt of same, to care of this office.

I am, sir, very respectfully, your obedient servant,

SPRINGER HARBAUGH,
Government Director in Union Pacific Railroad.

Hon. JAMES HARLAN,
Secretary of the Interior, Washington, D. C.

OFFICE OF THE UNION PACIFIC RAILROAD COMPANY,
New York, November 3, 1865.

SIR: The directors of the Union Pacific Railroad, having just closed a meeting in this city, held in place of the regular quarterly meeting, fixed in the by-laws for the first Wednesday in October, the undersigned Government directors, in pursuance of the request contained in your letter of the 10th June, respectfully present the following brief report:

At the time of our last quarterly report, dated July 8, 1865, one of the undersigned, Mr. Harbaugh, in behalf of the Government directors, was on a visit to the line of operation in Nebraska Territory. His two several reports to the Department—one dated July 20, relating to the progress of construction, and the other, dated August 26, referring to the qustion of location between Omaha and the Platte Valley—presented fully every point of public interest, leaving little for us to say further than to refer to these documents.

The action of the board at this meeting has referred chiefly to its current business, the election of officers, &c. As a preparatory step toward the important matter of bridging the Missouri River, a resolution was adopted, as follows:

"Whereas it is the settled purpose of this company to construct a bridge across the Missouri River from its terminus at or near Omaha, to afford a convenient connection for the railroads that may hereafter be constructed from the east to that point, to be completed by the time any such road is ready to make the connection: Therefore,

"*Resolved*, That the officers of this company be requested to instruct their engineers to make the necessary surveys, plans, and estimates of cost, and to report to this board at an early day."

Colonel Seymour, consulting engineer of the company, who for several weeks past has been on the line of construction, returned during this meeting of this board, having left Omaha the 28th October. He reports 20 miles of track laid; rails enough on the ground for 70 miles in all, with about 30,000 cross-ties delivered at Omaha, 1,000 to 1,200 of which (of the cottonwood) are undergoing the process of Burnetizing daily.

The engine-house and other station buildings at Omaha, planned for the future wants of the road, but now being erected only in part, he reports as under satisfactory progress, and will be under roof before the winter. Brick for the walls, with stone in the foundation, are the materials used. He reports further that the grading on the first 100 miles is very nearly completed, and that a large force is now employed on the second 100 miles; that the bridging for the first 30 miles, including the Elkhorn, is nearly completed, and thence to the Loup Fork the timber for bridges is delivered at Omaha and framed. The bridge over the Loup Fork, about 95 miles from Omaha, is known to be the most difficult and longest structure east of the Black Hills range, next to the one over the Platte River.

The engineer informs us that he has just visited that stream with a view of planning this bridge, and finds that it will require about 1,500 feet water-way. His further examinations of the Platte Valley confirm its very favorable character as respects grading. He represents that the road-bed to the vicinity of Fort Kearney and probably for 200 miles beyond can be prepared more rapidly than the track can be laid down, so that the limit to the extension of the road westward seems to lie in the delivery of the iron rails and cross-ties.

Notwithstanding the uncertainty of the Missouri River navigation, now the only means of transporting these materials, the executive officers of the board express great confidence in being able to complete the first 100 miles within the time named by the act of Congress, to wit, the last of June next.

The reports of the several engineers engaged in preliminary surveys during the past season in the mountainous districts further west will probably be received by the January meeting of the board, throwing further light on the definite location of that more difficult portion of the line.

We are, very respectfully, your obedient servants,

J. L. WILLIAMS,
T. J. CARTER,
SPRINGER HARBAUGH,
Government Directors Union Pacific Railroad Company.

HON. JAMES HARLAN,
Secretary of the Interior, Washington, D. C.

REPORT OF GOVERNMENT DIRECTOR, FEBRUARY 28, 1866.

FORT WAYNE, IND., *February* 28, 1866.

SIR: The quarterly meeting of the directors of the Union Pacific Railroad Company, which, in regular course, should have taken place on first Wednesday in January, was held in New York on the 7th February. The Government directors, having only a few days before had the honor of reporting to you in person, separated without making a further report on the general business.

The undersigned, as a member of the committee on location and construction, devoted some time after the adjournment to a careful examination of the additional topographical and engineering facts bearing upon the location, as ascertained by the surveys of 1865, so far as at that time had been reported to the office. In this investigation I had the important aid of Mr. James S. Evans, one of the intelligent and enterprising engineers of the company, who, during the past two seasons, have conducted these very important surveys.

The report of the Government directors, dated July 8, 1865, contained the following brief reference to the surveys proposed for the working season of that year:

"For the field work of 1865 two full engineer parties have been sent out, with a third party numerous enough for separate explorations, in advance. The instructions given by the vice-president for the season's work cover the location from the one hundredth meridian to the eastern base of the Black Hills range, together with a survey of the South Pass route via the North Platte, and also the ascertainment of the fact whether or not a better route than the one surveyed last year from the Black Hills to Salt Lake can be found further south, passing through the basin of the Green and Uintah Rivers."

The surveys and explorations between the Laramie River and Salt Lake, under the charge of Mr. Samuel B. Reed, civil engineer, not having been reported to the office, owing probably to his engagement in construction during the winter, any special reference to that portion of the route must be deferred. I understand that Mr. Reed ran a line eastward from some point of connection with the Bridger Pass line of 1864, via South Pass and down the Sweet Water Valley. He also made reconnaissance of the Wahsatch Mountain range southeast from Utah Lake, to test the practicability of a line from Salt Lake to the Green River basin via the Spanish Fork and the Uintah River, passing along the southern base of the Uintah Mountains. The feasibility of getting into the Green River basin from the east, by crossing its eastern rim through the head branches of the Platte on one side and of Bear River on the other, was examined by Mr. Evans. He reports that he followed up the most promising branch of the Laramie River, and found its direction and other features so unfavorable as to afford little ground to expect a practicable line across this part of the mountain range.

The party in charge of Mr. Evans was chiefly employed during the season in perfecting the routes across the Black Hills, and in connecting the surveys thence eastward along the Platte with the definite location from Omaha westward. A part of the field work marked out for 1865 was necessarily deferred to the coming season, mainly in consequence of harassing disturbance and apprehension from Indian hostilities. And yet important progress has been made toward the solution of those weighty problems of location that must arise in the proper adjustment of 2,000 miles of railroad line traversing a vast mountainous region which, after all the liberal and wisely directed efforts of the Government and its competent corps of topographical engineers, was found, at the commencement of these surveys, in a great measure unexplored. A connected survey, with actual distances and levels, can now be reported from Omaha, on the Missouri River, to Salt Lake City, presenting a feasible line both as to the cost of construction and future working. The distance by the longer of two feasible routes over the Black Hills (the Cache la Poudre line) is 1,079 miles, subject to any variation which a definite location may cause. This surveyed distance is about 33 miles less than was assumed by Lieutenant Beckwith from his exploration in 1852, as given in report of Secretary of War.

In pursuance of the policy governing the board, looking not only to a practicable route, but the discovery of the very best route over the difficult sections, a continued liberal expenditure of time and means in preliminary surveys is contemplated by them. The definite survey of the Lodge Pole line from the mouth of that stream to the base of the mountains at Camp Walbach, hitherto only assumed in the comparison, the completion of the survey of the South Pass and North Platte route, with a reconnaissance at least of the Laramie River, in the section cutting through the Black Hills, where its cañons are reported as formidable, are among the important preliminary examinations marked out for the coming season. And as the question between the North and South Forks of the Platte has a bearing necessarily upon the yet open question as to the point of junction of the Kansas and Iowa branches on the one hundredth meridian, which it is the province of the President of the United States to establish, and as the rapid progress of the grading westward will probably require the settlement of this question within a year, I have suggested to the board that the survey of the North Platte be completed at the earliest day practicable.

The nature of the mountain barrier stretching at right angles across the route of the Pacific Railroad, known as the Black Hills, is well understood. Though but a spur of the main Rocky Mountains, and not of itself the divide of the continent, yet the Black Hills range rises rather abruptly, at the lowest pass yet surveyed, some 3,000 feet above the valley of the South Platte near its base. Taken in connection with the Snowy range, lying west of Denver, which rises generally 2,000 to 3,000 feet higher, and from which the Black Hills range is an offshoot, the whole chain from the South Park, near the headwaters of the Arkansas, to the point where the North Platte cuts through it is in length, transversely with our line, over 200 miles. When the surveys of this year are completed a large proportion of three successive seasons will have been devoted by engineers of the company in instrumental examinations of this mountain barrier at its several points of greatest relative depression.

The board seem to have recognized as a sound general policy the idea of touching, in the location of this work, built for the development of our interior resources as well as for through commerce, those districts in which our enterprising people have formed settlements, growing speedily into States of the Union, and where they have already built up important material interests either in mining or agriculture, when this can be done without too great increase of distance. In 1864 Mr. F. M. Case, engineer, was instructed to examine by actual survey and otherwise the practicability of crossing the mountain range lying directly west of Denver. His report, in which was embodied the results of a previous examination made in 1862, refers to five distinct routes south of the Cache la Poudre line which has been spoken of as possible or practicable for railroad purposes, and over two of which, in his judgment the most feasible, he had made an instrumental reconnaissance. At the Hoosier Pass, the most southerly of the five, the grade line assumed was estimated to be 10,650 feet above the sea level, and requires a tunnel 2½ miles long. The route to this pass, besides the objection of running for 20 miles through the cañons of the South Platte, seems to carry the road quite too far south of the proper direction to Salt Lake. At the Berthoud Pass, directly west from Denver, the grade line assumed as most judicious is reported, from actual leveling west of that point, as 10,280 feet above the sea, requiring a tunnel 3½ miles long through granite rock. The summit of the mountain here rises 1,280 feet above the tunnel. No point of crossing this mountain range in the direction of Salt Lake has yet been discovered by the engineers or suggested by others less formidable than Berthoud Pass. The mere statement of the engineering facts places it out of the comparison. The enormous cost of the tunnel, the time required to excavate it, and the burthen of passing the commerce of the country over an elevation 2,000 feet higher than by routes farther north, forbid the contemplation of this route, and suggest the impracticability of passing by Denver, unless further examinations shall discover a lower pass, for, even if the main line were brought to this point from the east, it must then turn north at right angles with the general course, following near the base of the mountain for 50 or 60 miles to the gorge of the Cache la Poudre Creek before commencing the ascent westward.

The unfavorable result of these examinations will not surprise any one who has intelligently examined the Territorial map. The mountain ridge, forming here the divide or water-shed of this part of the continent, is known to reach its greatest altitude as it skirts the north and middle park. The four great rivers—the Rio Grande, the Arkansas, the Platte, and the Colorado of the West, have their sources in this section of the Rocky Mountains. Unless it may be a few more peaks in the Wind River Mountains and in the Sierra Nevada, there is probably no section between the Mississippi and the Pacific Ocean reaching so great altitude as is found in this snowy range.

Should the proposed survey of the North Platte, the aim of which is to flank the higher portion of the Black Hills, present a feasible route, we shall then have a choice among three lines, by either of which the Black Hill range may be crossed, covering, at their widest divergence, a distance north and south of 130 miles. In the present stage of the examinations two routes may be described and a comparative view presented, as follows:

(1) *Lodge Pole and Crow Creek route*, 186 *miles*.—This line, leaving the South Platte at mouth of Lodge Pole Creek, follows up this direct east and west valley to base of mountain at Camp Walbach, thence (abandoning the Cheyenne Pass, from which eastward the

mountain descends too rapidly) the line bears to the southwest via head waters of Crow Creek and over Durant Pass to a common point (station 2606) at western base of the Black Hills. Grade line at summit is 8,398 feet above sea level. No tunnel required at summit, but an open cut 50 feet deep through granite. Ruling grade ascending westward; first 105 miles, 30 feet per mile; next 50 miles to base of mountain, ruling grade ascending westward, 45 feet per mile; next 14 miles ascending slope, ruling grade 80 feet per mile; next 6 miles to summit, a continuous ascending grade of 116 feet per mile; thence westward 5 miles, a continuous descending grade of 116 feet per mile, and next 6 miles, a ruling grade descending 80 feet per mile to the common point at western base of Black Hills.

(2) *Cache la Poudre route*, 218 *miles.*—Diverging at mouth of Lodge Pole Creek, this line follows up South Platte and the Cache la Poudre Creek to base of mountain at Laporte, thence bearing northwest along and near Dale Creek and over Antelope Pass to the common point at western base of mountain (station 2606). Grade line on summit 8,045 feet above sea level; no tunnel required; cut only 5 or 6 feet. For the purpose of comparison, in respect to the facility of operating the mountain division, we may commence at a point on the South Platte equidistant with the mouth of Lodge Pole Creek from the common point at western base. Ruling grades ascending from this point westward are for first 138 miles to base of mountain at Laporte, 20 feet per mile; next 25 miles ascending mountain slope, ruling grade 80 feet per mile; next 12 miles to crest of mountain, a continuous ascending grade of 116 feet per mile; thence descending westward 3 miles continuous grade of 105 feet per mile, and next 8 miles descending westward, ruling grade 80 feet per mile to the common point at western base of Black Hills. This comparative statement must be regarded as approximate. In connection with the annexed rough profile sketch (marked "A") of the two lines for 186 miles in length, it gives a good general idea of the character of the road over the Black Hills, and the nature of the engineering questions which will arise in the comparison of these two routes on the full completion of the surveys.

Omitting for the present any detailed calculation of relative cost of operating these two lines, which would be out of place in this general report, it will be observed that the Cache la Poudre line leads to a depression in the mountain (Antelope Pass) 353 feet lower than the summit over which the Lodge Pole line passes (Durant Pass), referring in each case to the grade line, giving the advantage of less elevation by that amount for the traffic to pass over. On the other hand this route must be charged with the obvious disadvantage of 32 miles additional length, alleviated somewhat by the fact that this extra distance lies in the level valley of the South Platte and therefore cheaply constructed and operated. A commercial view of the question might find compensation in the nearer approach of the Cache la Poudre line to the existing mining operations of Colorado, so near indeed that a branch road to Denver would probably be constructed when that new State shall have acquired the needful strength.

Taking in at one view the topographical features of the entire route east of Bridger's Pass, which is the point of division between the waters flowing into the two oceans respectively, distant 736 miles from the Missouri River, there seems to be nothing unfavorable to the working of the road with economy, certainty, and speed. The elevation of the Black Hills is the formidable obstruction. But the wide, smooth, and direct valley of the Platte, stretching out for 500 miles to the very base of the mountain, presents as an approach an uniform and gradually ascending plane, with grades ranging from 5 to 20 feet per mile, while the total ascent from the entrance into the Platte Valley, 30 miles west of Omaha, to the summit of the mountain is by the Cache la Poudre route 6,917 feet in a distance of 563 miles. Near three-fifths of this total rise, or 3,924 feet, is thus overcome almost imperceptibly on the plains before reaching the foot of the mountain at Laporte, or by the Lodge Pole, which rises more rapidly, over four-fifths of the total rise is made on the plains before reaching base of mountain at Camp Walbach. By either route the line divides itself for operating distinctly into two sections—mountain and plain—each using a class of locomotive engines adapted to the power required, thus securing economy in the highest degree. It is, moreover, a favorable feature that in all this distance no undulating line intervenes. With care in the location no elevation once attained need be lost. The grade from the Elkhorn to the mountain crest may be either ascending or level.

The well-known scarcity of timber on the plains for cross-ties and bridges is a characteristic tending, on the other hand, to increase the expense of construction and operating. The limited growth, chiefly cottonwood, on the islands and banks of the Platte is in unfavorable contrast with the abundance of oak generally found in the States. Immediately after crossing the Black Hills, groves of pine or spruce are reported on the northern slopes of the Medicine Bow Mountain—a portion of which is within carting distance from either of the two routes described, and also available for the line further west by floating down the Laramie River. This timber tract has not been carefully examined, but Mr. Evans says that standing on a high point of the Black Hills, from which it was in distant view, he estimated its probable area equal to 400 square miles. He considers it a valuable resource for the road.

The fuel question is likewise important. Coal must be chiefly used. All reports as far back as the exploration of Capt. Howard Stansbury in 1850 concur as to the existence of coal on Green River and its tributaries. But between this and the coal-fields of Western Iowa, or of Kansas, 800 miles of road are to be operated. The discovery of coal of good quality in the Black Hills or on the Platte would materially cheapen the working of the road. It is found near Denver, and Mr. Evans heard from others that some coal had been mined on his route near eastern base of mountain. As every additional burden upon transportation will be paid finally by the commerce and productions of the country in charges upon traffic, whatever may tend to lessen or cheapen the motive power is of public importance.

All of which is respectfully submitted.

J. L. WILLIAMS,
Government Director Union Pacific Railroad Company.

Hon. JAMES HARLAN,
Secretary of the Interior.

REPORT OF THE GOVERNMENT DIRECTOR, NOVEMBER 23, 1866.

UNION PACIFIC RAILROAD OFFICE,
New York, November 23, 1866.

SIR: The preliminary surveys across the first range of the Rocky Mountains being nearly completed, the Government directors deemed it important that one of their number should personally examine such of the lines as appeared most feasible. Accordingly, at the request of my colleagues and by invitation of Col. S. Seymour, the consulting engineer of the company, I accompanied him to the mountains in September last. At Omaha we were joined by Gen. G. M. Dodge, chief engineer, and in passing over the several routes were further aided by explanations on the ground by the division engineer, under whose immediate direction the survey had in each case been made, with the advantage also of the maps and profiles. Under the requirements of the thirteenth section of the act of Congress approved July 2, 1864, I respectfully submit, for the information of the Secretary of the Interior, the following general results, premising that this report has been submitted to my colleagues and sanctioned by them.

This first mountain barrier, as it stretches north and south across the general course of the road between the one hundred and fifth and one hundred and sixth meridian of longitude, may be described as extending from the cañon of the South Platte, near the latitude of Pike's Peak to the point where it is cut through by the North Platte, a distance of near 300 miles. Its more southerly and higher portion, called the Snowy range, or the Rocky Mountains proper, forms part of the great divide of the continent, separating the waters of the Platte from those flowing into the Colorado of the West. The northern section of this mountain barrier being a part of the subordinate range known as the Black Hills, and only dividing the drainage of the two forks of the Platte, is nevertheless, as to direction, the continuation of the main Rocky Mountain range northward, possessing the same mountain characteristics, though having less altitude and gentler slopes. The Cache la Poudre River, the largest tributary of the South Platte, taking its rise in its most southerly branch near the heights of Long's Peak, marks the point of division of the range into the two sections here described. The watershed of the continent diverges here to the northwest, forming, first, the southwestern boundary of the North Park, and thence continuing northwest sinks into the depression known as Bridger's Pass, where it is 7,534 feet above the level of the sea, and 3,892 feet lower than at Berthoud Pass in the Snowy range, west of Denver.

Up to the eastern base of this north and south mountain range the broad and generally smooth plain of the Platte Valley opens favorable approaches through its several tributaries to any mountain crossing that may be selected. The point of crossing the mountain is, therefore, the problem first to be solved.

In the wide range of these surveys, continued now through three years, ten distinct points of crossing have been examined. They have been run with level and transit, in all cases affording reasonable hope of practicability; or, where less promising, they have been explored with care, availing in such cases of barometrical observations. The passes thus examined include, as is understood, all that have been suggested by mountaineers or others familiar with the country as possibly feasible. Enumerating from south to north they may be briefly described as follows:

Route No. 1, *over Hoosier Pass, at head of the South Platte.*

Mr. F. M. Case, civil engineer, reports to the vice-president, December 15, 1864, that he made a survey of the governing sections of this route, and submits profiles, first, of the mountain range at Hoosier Pass; secondly, of a line 18 miles northwestward down Blue River, a tributary of the Colorado; and thirdly, of a line run 48 miles southeastward from the pass down the upper portion of the South Platte, through the South Park to the head of the Platte Cañon. From the head of this cañon, as he reports, the line would follow the river northeastward some 40 miles, through the mountain to the plains, with, as estimated, an average descent of 70 feet per mile. Of this distance the engineer estimates that 20 miles would be close cañon, both walls being washed by the stream, and the direction so circuitous as to require considerable tunneling. His estimate of the height of this pass above the sea, from barometrical observations in the vicinity, is 11,500 feet. A tunnel of 2½ miles through granite is required. Grade line of tunnel upon the assumed level, 10,660 feet above the sea. The general alignment of this route is so unfavorable, considering Salt Lake as the point aimed at, as, in the judgment of the engineer, to render a more extended survey needless—145 miles of road being required between Denver and the mouth of Blue River, only 76 miles west of the meridian of the former place.

Route No. 2, over Tarry-all Pass.

This route, it seems, did not so commend itself to the engineer as to require a survey. He estimates the pass to have about the same altitude as Hoosier Pass, 11,500 feet above the sea.

The approach to it from the plains on the east would be first through the cañon of the South Platte for some 25 miles, and thence up Tarry-all Creek, a branch of the Platte, to its source in the range a few miles northeast of Hoosier Pass. From the west the approach would be from the valley of the Blue River, above Breckenridge, through the Indian Gulch. While the engineer does not assume to speak of this route advisedly, he thinks the summit could not be reached from the east without exceeding the maximum grade of 116 feet per mile, and that the descent of the gulch on the west is 150 to 200 feet per mile. Having made no definite survey, he does not give the length of the tunnel.

Route No. 3, through the North Fork of South Platte.

As in the case last described, Mr. Case deemed a critical survey of this route unnecessary. He says in his report that it would enter the mountains at the mouth of the South Platte Cañon, being thus coincident with the two last-named lines for 10 miles, and thence up the North Fork of the Platte 35 miles, crossing the range still further north than the route last described, and connecting on the west with one of the head branches of Snake River, an affluent of Blue River. This pass was represented to the engineer by a reliable explorer as being a little below the line of arborescence, or "timber line," and was assumed as about 11,500 feet above the sea. Upon this hypothesis, and with the aid of barometrical observations in the vicinity, the engineer estimates that on the eastern approach to the summit some 2,300 feet elevation must be overcome in 12 or 15 miles, and on the western approach 2,700 feet in 20 miles. How far this could be alleviated by a tunnel and what would be the length of the tunnel is not stated. The entire route from the plains on the east to the valley of the Blue River on the west is reported as running through a narrow mountain valley, in many places tortuous.

It will be noticed that the two routes last described, entering the mountain as they do far to the south through the cañon of the South Platte are, like Route No. 1, forced out of the proper direction.

Route No. 4, over Berthoud Pass.

From the beginning of these investigations this route has attracted much interest as well from the general belief of mountaineers that it was the most favorable pass through the Snowy range as from its locality, being in the direct course from Denver to Salt Lake City, the two chief points on the route, both of which it is important to pass. In the summer of 1862, prior to the first meeting of the corporators of the Union Pacific Railroad at Chicago for the purpose of organization, Mr. F. M. Case, at the instance, and, I believe, at the expense of the friends of the work in Colorado, made what he called an instrumental reconnaissance of this route. His report, addressed to Hon. John Evans, then governor of Colorado Territory, was embodied in his subsequent official report of December 15, 1864. Subsequently in 1866, by direction of this board, a second and more careful survey of this route was made by Mr. P. T. Brown, one of their engineers. In the general topographical facts the two surveys agree. I passed over this line as far as the summit of the range, accompanied by Colonel Seymour and Mr. Brown.

The line from the South Platte at Denver to the summit of Berthoud Pass is 60 miles in length. The survey was extended west into the Middle Park 78 miles from Denver in the direction of Salt Lake. For general description it naturally divides, as follows:

First. Denver to Golden City, 14½ miles. This is over a rolling and rapidly rising plain, falling into Clear Creek Valley, 6 miles east of the mountain and meeting the foot of the range 12 miles from Denver. Ruling grade, 116 feet per mile, of which there is about 3 miles. Construction not very expensive.

Second. Golden City to upper end of Clear Creek Cañon, 15¾ miles. Golden City is at the transition point from the sedimentary of the granite formation. Here the line enters Clear Creek Cañon, which extends 15¾ miles, rising in this distance 1,544 feet. Through a portion of the cañon the valley rises faster than the maximum grade, but with careful location and heavy cost Mr. Brown thinks the grade need not exceed 116 feet per mile at any point. Two-thirds the distance will be curved, much of it sharp. The greater part of the distance may be called close cañon, and a part narrow, open cañon with abrupt slopes.

Third. From the head of cañon to east end of Berthoud Tunnel—28½ miles—the line follows the narrow mountain valley of Clear Creek through the midst of the gold mining developments, passing many quartz mills; ruling grade, 116 feet per mile, of which there will be about 13 miles. For 7 or 8 miles of the upper portion the fall of the valley greatly exceeds the maximum grade, reaching in places over 300 feet per mile. Using the maximum grade of 116 feet per mile from the tunnel eastward, the line is necessarily thrown on the steep, rocky, and, in places, precipitous mountain sides, at an elevation of 100 to 400 feet above the creek, involving, of course, very heavy cost. In the whole distance from the base of the mountain to the tunnel, Clear Creek, as Mr. Brown supposes, would be bridged perhaps twenty times, with probably 2 to 3 miles of tunneling through sharp points. To give greater length of line for the purpose of reducing the grade to the maximum prescribed by law, the surveyed route in ascending turns up South Clear Creek for 2½ miles, thence by a short tunnel through a ridge into Bard's Creek Valley, which it follows down, reaching the main valley at Empire City.

Fourth. Berthoud Tunnel would be 3.1 miles long, and pierces the mountain 1,364 feet below the summit of the pass. The material to be excavated, the common granite of the mountain. Grade line in tunnel at highest point is 10,100 feet, and summit of pass 11,426 feet above the sea.

Fifth. West end of tunnel to end of survey, 16½ miles. Descending westward, the slope of the mountain is followed for some distance until the valley of Moses Creek is reached, which is a tributary of the Colorado, and thence with this valley to the Middle Park. Grade, 116 feet per mile for first 11½ miles. I did not pass over this portion of the route.

Route No. 5, over Boulder Pass.

While standing on the mountain peaks near Berthoud Pass on the 18th September, in the clear mountain atmosphere, I had a full view of the Boulder Pass, 12 miles farther north. From its apparent height above the growth of timber, and from barometrical observations before reported, I was fully convinced of its impracticability. Yet, in deference to the views of gentlemen having mining interests on the Boulder, I fully intended visiting that pass. But a fall of 18 inches of snow on the 19th on the eastern slope, which I learned was 2 feet deep at the western base of the range, defeated this purpose. A few weeks later Mr. Brown made a survey of the Boulder route.

The chief engineer reports the results as follows:

First. That the pass is 11,700 feet above the sea;

Second. A tunnel of 6 miles required;

Third. The approach is through either South Boulder or Middle Boulder Creek, on either of which the ascent is too rapid for the maximum grade; and

Fourth. That on either of these streams extensive cañons are encountered.

Route No. 6, up to the Cache la Poudre and Dale Creek over Antelope Pass.

During the last week in September I made a reconnaissance on horseback over this route from the eastern base of the mountain at Laporte to the western base in the Laramie plains, at the common point of junction with the Lodge Pole and Crow Creek route, in company with the chief engineer, the consulting engineer, and Mr. James A. Evans, division engineer, whose three years' service in directing these experimental surveys has made him familiar with the topography of this range.

Antelope Pass is a depression in the ridge separating the waters flowing into the Laramie River on the west and those of Dale Creek, a tributary of the South Platte. Dale Creek, taking it rise near Cheyenne Pass, runs in its upper section on the western slope of the range, cutting the main range of the Black Hills in its southeasterly course, and joins the Cache la Poudre River some 3 miles above the eastern base of the mountain. Through the Dale Creek valley a favorable route is found from the Cache la Poudre near Laporte to Laramie Plains, in a northwestern direction, finding its summit not in the main Black Hill range, but in the subordinate divide between Dale Creek and Laramie River. This ridge or divide is crossed at Antelope Pass, which has 195 feet less elevation than the main range at Evans Pass, in the direction of Crow Creek and the Lodge Pole.

The opening thus cut through the mountain range by Dale Creek, and which has heretofore been used as the overland stage route, the railroad survey now occupies. The main features of this line are these: Total length of mountain section from eastern to western base 39½ miles, of which 33 miles is in the ascent of the eastern slope, and 6½ miles on the western slope. The western slope, and also the first 7½ miles of the eastern ascent from the plains, following up Pitchfork Creek, is chiefly in the secondary formation, and presents a comparatively favorable profile. On these two sections the line may be located with a maximum grade of from 85 to 90 feet without expensive work. The intermediate section of 25 miles, all in the valley of Dale Creek and in the granite formation, presents some expensive grading, especially near the crossing of Dale Creek, and also near the cañon of Stonewall Creek, where the line of transition between the stratified and granite formations is crossed. Three bridges of some magnitude are required on this division, the chief of which is over Dale Creek, near 400 feet long. The deepest part of the narrow chasm here to be bridged is 168 feet below grade level. As the line now runs the maximum grade occurs frequently, with occasional undulations, by which ascent is lost. With the time and care needful on a final location the ruling grade may be reduced below the limit allowed by law, and probably to 105 feet or 110 feet per mile, and the undulations chiefly if not altogether avoided. The grade line at Antelope Pass, without a tunnel and with a cut of moderate depth, is 8,045 feet above the sea.

The approach to this passage of the Black Hills is up the valley of the South Platte to the mouth of the Cache la Poudre River, and thence up that valley to Pitchfork Creek, some 8 miles below Laporte, which latter tributary is followed to the entrance of the Black Hills. The whole route east of the mountain is of the most favorable character, permitting a grade uniformly ascending with the rise of the valley.

Route No. 7, following the divide between Crow Creek and Lone Tree Creek to Evans Pass.

Returning eastward from Fort John Buford, on the Laramie River, to which point our party had extended their reconnaissance, in part to obtain military escort, which General Dodge deemed a prudent precaution against Indian depredations on the Lodge Pole, we crossed the Black Hills by the Lone Tree and Crow Creek divide route, which we followed to a point near the traveled road from Denver to Fort Laramie, and thence to Laporte along or near the eastern base of the range.

As the route last described finds an easy ascent of the mountain, through the valley of Dale Creek, so this route, by following the smooth and gently ascending ridge dividing the drainage into Crow Creek on the north and Lone Tree Creek on the south, which ridge extends far out into the plains, occupies a favorable locality for crossing the Black Hills, more exempt from obstructions by snow drift than ordinary lines. This ridge can be approached from the valley of Crow Creek through a small east and west tributary rising at the rate of from 30 to 60 feet per mile. Reaching the divide, 7 miles east of what appears to be the general course of the base of the range, the line pursues it for 20 miles to the summit of the Black Hills at Evans Pass. For the first 7 miles this divide presents a smooth profile. Entering a little west of this the granite formation, the next 5 miles presents a rough profile, on which the work will be heavy and the material in great part rock. The next 8 miles to the pass is on the summit, or on the adjoining slopes of the divide, with a favorable profile and alignment, and comparatively light work. Where excavation is required to any considerable depth it will be rock. The experimental line up this eastern slope of the mountain is laid with a ruling gradient of 106 feet per mile. But the chief engineer is confident that this can be reduced, on the final location, to the maximum of 90 feet per mile, which is less than the grade of the Pennsylvania Central Road in the ascent from Altoona to the tunnel, with curvature very much easier than is there introduced.

The summit of the mountain presents here a broad and gently rounded surface, admitting of no reduction by any judicious tunneling. With an open cut of moderate depth, through rock, the grade line is 8,242 above the sea.

Descending westward the profile is less favorable. Dale Creek, heading a few miles north near Cheyenne Pass, has worn a valley in the western slope, which can be crossed only by an embankment and bridge of considerable height; and after reaching the secondary summit between this creek and the Laramie Plains, the descent thence to the common point of junction with the line over Antelope Pass at western base of mountain is here more abrupt than on that route. A careful resurvey of this western slope, 10¼ miles distance, is proposed by the chief engineer, under the belief that he can, within reasonable limits of cost, establish a ruling grade not exceeding 90 feet per mile, as on the eastern slope, and at the same time avoid any depression of grade in the intermediate valley below the summit west of Dale Creek. So important is it that in these mountain ascents elevation once attained be not lost by injudicious undulations, that I have not failed, as a member of the committee on location, to urge this view.

To reach this crossing of the Black Hills the line would leave the South Platte at Julesburg, following up the valley of Lodge Pole Creek 106 miles, and thence, bearing a little southward through the southwestern tributary, cross the divide to Crow Creek Valley.

Route No. 8, via Lodge Pole, Camp Walbach and Crow Creeks.

This route, like the Cheyenne Pass line, finds its approach to the Black Hills through the Lodge Pole Valley to Camp Walbach at the base of the range, and its route thence up the mountain slope is coincident with the Cheyenne Pass line to the crossing of Lodge Pole Creek; thence diverging to the south, it pursues generally the divide between the drainage to Lodge Pole on the north and Crow Creek on the south. It crosses the summit of the range at Evans Pass, there intersecting Route No. 7, and having, of course, the same gradient, to wit, 8,242 feet above the sea. But before reaching this pass, in traversing the uneven surface of the mountain tributaries of Crow Creek, this line encounters a higher country over which the gradient reaches the height of 8,400 feet above the sea. The descent of the western slope is coincident with Route No. 7.

Previous to the examinations made in 1866 this was considered the shortest practicable route over the Black Hills, and it is the route compared with the Cache la Poudre line in the report, which I had the honor to make to the Department, dated February 28, 1866. But the investigations of the last season under the direction of General Dodge, chief engineer, whose knowledge of this region acquired during his command of this military department has been of great service to the company, have resulted in the discovery of Route No. 7, which, by leaving the Lodge Pole far out in the plains, finds a more direct alignment, and in all respects a better line.

Route No. 9, via Lodge Pole Creek and Cheyenne Pass.

The Cheyenne Pass over the Black Hills, in connection with the Lodge Pole Valley as its eastern approach, has long been a thoroughfare for travel, and was thus from the beginning brought prominently to the notice of those seeking a route for the Pacific Railroad. In the fall of 1863 a line of levels was run over this pass by Mr. B. B. Brayton, engineer. Again, in the summer of 1864, a more careful survey was made by Mr. J. Evans. The general results of Mr. Evans's survey are:

First. That the summit of the pass is 8,656 feet above the sea;

Second. That a tunnel 1,500 feet long through granite, on a grade line 8,540 feet above the sea, would be required;

Third. That this tunnel could be reached from the east by way of Camp Walbach, with a maximum grade, probably not exceeding 116 feet per mile; and

Fourth. That on the western slope of the mountain the ruling grade could not be reduced below 132 feet per mile, unless by the objectional expedient of increasing the length of the line by switching.

Route No. 10, through Laramie Cañon.

Knowing that this stream had cut its channel deep through the Black Hills range, thus presenting by its immediate valley a more uniform ascent, and a total rise and fall between the Platte Valley and the Laramie Plains materially less than by other routes crossing over the range, and further, that this route would occupy a good general direction, the character of its great cañon has been an object of interest from the first.

In 1864 Mr. Evans commenced the examination, but accomplished it only on the lower portion. In 1865 Mr. Case explored without instruments the upper portion. But until Mr. Evans, in his second attempt in 1866, succeeded in running a line entirely through this cañon, it is not probable that any human being, savage or civilized, ever passed through the whole length of this deep and rugged gorge. Its direct length is 14 miles; its length by the survey 25 miles; its course in many places very tortuous; and its vertical walls of rock from 500 to 1,500 feet in height. The fall of the stream in places is from 150 to 200 feet per mile, and its current of course extremely rapid. It is wholly impracticable for railway purposes.

The route up the North Platte and through the South Pass has been followed by the travel from the earliest beginning of emigration across the continent. The North Platte, like the Laramie, but with a still larger flood, has worn its channel through the range, presenting unquestionably, if it could be followed, an easier and more uniform grade from the plains to the divide of the continent at the South Pass than any other route. Its greater length, however, caused by its northern circuit, its wider divergence from the important mining resources of Colorado, in which the nation has an interest, with the apprehension of deeper snows in the region drained by the Sweet Water, precipitated there through the directing influence of the Wind River Mountain range, seem to have outweighed in the judgment of the company and their engineers any supposed advantage in grades. The survey of this route, though commenced in 1865 near Fort Bridger and extended eastward through the South Pass and a short distance down the Sweet Water, by Mr. S. B. Reed, one of the company's engineers, was not continued through the Black Hills. The engineers, from their reconnaissance, and information from others, report narrow defiles and cañons where the North Fork cuts the mountain range so formidable as probably to force the line out of the valley and over mountain spurs.

But the length of this difficult construction, as also the exact comparative length of the North Platte route, is unknown. The watershed at the South Pass is 7,470 feet above the sea. It is 64 feet lower than the same dividing ridge of the continent at Bridger's Pass, 100 miles to the southeast and 3,956 feet lower than Berthoud Pass west of Denver.

Comparison of routes.

Grouping the ten routes thus briefly described into two classes, five of them cross the Snowy range and five the Black Hills range. Of those in the Snowy range examinations indicate the Berthoud Pass, designated No. 4, as having most of the elements of a feasible line.

Contrasting the Berthoud Pass line with the two available lines over the Black Hills, either Lodge Pole and Crow Creek line, over Evans Pass, designated as Route No. 7, or the Cache la Poudre line No. 6, the comparison is greatly against the Berthoud, as follows:

First. At Berthoud the grade line is 10,100 feet above the sea; at Evans Pass 8,242 feet. Difference in the elevation to be overcome with the commerce of the country, 1,858 feet.

Second. Tunnel at Berthoud Pass $1\frac{3}{10}$ miles long. As the summit of pass rises near 1,300 feet above the level of the tunnel the material excavated would be chiefly passed out at the ends. Under these circumstances not less than three or four years certainly would be required for its construction, within which time it is confidently believed the track-layers from Omaha, by a more favorable route, may meet those from Sacramento on the plains of the Humboldt River. No estimate has been made of its cost. Unquestionably the outlay of capital would be greater than is warranted at a single point, be it from national or individual means, when the same capital and labor would stretch out the road so far towards the Pacific over the cheaper routes that offer. At either of the two Black Hills passes no tunneling is required.

Third. Besides Berthoud tunnel, there would be 15 miles in the Clear Creek cañon, and 10 miles in the upper section of Clear Creek, which would cost perhaps beyond all precedent in this country. Contrasting the aggregate of the tunnel and this 25 miles with same length, with mountain work on the Lone Tree and Crow Creek divide route over the Black Hills, and the difference would grade more than 100, perhaps 150, miles of average line between the Black Hills and Salt Lake.

This comparison, thus stated in very general terms, is confined to the first mountain range as if beyond that the extension of the two routes to Salt Lake were alike feasible. Such, however, seems not to be the case.

In June, 1865, Mr. Reed, under instructions from T. C. Durant, esq., vice president, and with a view to a line across the intermediate Green River basin, made an extended reconnaissance of the country east of Utah Lake to find, if possible, a practicable route over the Wahsatch Mountain to Green River via Spanish Fork and the Uintah River. His report, dated April, 1866, represents that there is no route practicable for a railway from Utah Lake eastward to Green River through the Uintah Valley. We have seen that the eastern rim of the Green River basin cannot be crossed without an expense and delay quite too great, and if the Snowy range could be crossed the chief engineer expresses the belief that two subordinate north and south ranges would interpose further west. The basin of the Green River, especially its main valley, the White River, running from east to west near the fortieth parallel, has been represented as much more favorable to agriculture, with better supply of timber, than the country along the Bridger Pass route. Having less altitude by some 2,000 feet and lying two degrees further south, this claim is no doubt just, and it is to be regretted that access for the railroad seems forbidden by the great height of the mountains forming its eastern and western boundaries

But were this route practicable yet in the aspect of gradients it would be much less favorable than the Bridger Pass route, the mountain ranges being higher and the intermediate valley lower. Green River, where this line would cross it, must be some 2,000 feet lower than on the Bridger Pass route, while the Snowy range over the Berthoud Pass is near 2,000 feet higher than the Black Hills, making a total difference of some 4,000 feet in the ascent to be overcome between Green River and the summit of this most easterly mountain range.

In whatever aspect this important question may be viewed, whether in the detail of actual surveys and leveling or in a general grasp of the leading features of this part of the continent, there can be no question but that the Union Pacific Railroad Company, in deciding to locate over the Black Hills and through Bridger's Pass, have but conformed to the controlling topographical shaping of the region to be traversed by the road.

Having thus presented the engineering characteristics of the Berthoud Pass route across the Snowy range in contrast with the two available routes across the Black Hills range, showing conclusively that the former does not enter into the comparison, it remains to compare the two available Black Hills routes with each other.

Taking the entire division between the mouth of the Lodge Pole opposite Julesburg on the east, where the lines diverge, and their point of intersection at the western base of the range in the Laramie Plains, the facts bearing upon the comparison are as follows:

First. Length of line by Cache la Poudre and Antelope Pass, 216 miles; length by Lodge Pole and Crow Creek, over Evans Pass, 179 miles; difference, 37 miles in favor of the Lodge Pole route.

Second. The greatest altitude reached by the grade-line on the Cache la Poudre route is 8,045 feet above the sea; on the Lodge Pole line, 8,242 feet; difference against the Lodge Pole route, 195 feet.

The ruling mountain gradient, which limits the road over the two routes respectively, will be 15 to 20 feet per mile less on the Lodge Pole than could be obtained on the Cache la Poudre line, giving to the former a very important advantage.

Third. Length of expensive mountain line across the range by the two routes, respectively, is, by the Cache la Poudre, 39¾ miles; by the Lodge Pole, 23¼ miles.

This difference is on the eastern slope, and results from the greater elevation of the plain at the eastern base of the mountain in the vicinity of the Lodge Pole, Crow Creek, and Lone Tree Creeks, by near 2,000 feet than where the deeper valley of the Cache la Poudre meets the mountain slope. Beside the cost of constructing the extra length of line by the Cache la Poudre, it may be safely assumed that the Lodge Pole line will cost far less per mile than the other.

Fourth. The commercial bearing of the question should not be overlooked. Though the topography of this mountain region forbids the passage of this national thoroughfare directly through the mining region of Colorado, yet the transverse valleys favor a connection by branch. The interests of the company, of Colorado, and of the nation seem alike to demand such connection. Adopting the Cache la Poudre route, the proposed branch, as already surveyed along the South Platte to Denver, would be 53 miles long, or by the Lodge Pole the branch would be lengthened to 112 miles, but the main line shortened 37 miles. The paramount claims of through commerce seemed to the board to give preponderance in the aspect of commercial considerations to the short main line.

Fifth. The fuel question also enters into the comparison. Coal is found at many points along near the base of the mountain, between the Cache la Poudre and the branches of the Arkansas. North of the Cache la Poudre, though it may exist, the swell of the plains, before described, has covered it beyond our reach. Coal is also found east and northeast of Denver, on Coal Creek, Kioway Creek, and other tributaries on the southern slope. The chief engineer reports that he has discovered coal northwest of the Platte, on Crow Creek and Lone Tree Creek, but far out from the base of the mountain. From this outlook of the coal-field it will be seen that the Cache la Poudre line passes through or near it, while the Lodge Pole line runs some thirty miles north of it. The proposed branch to Denver would make it available for either route. If this South Platte coal-field be passed by, we are not assured of any coal on the line of the road between the western slope of Iowa and Rock Creek, beyond the Laramie Plains, a distance of about 650 miles, though possibly it may yet be found intermediate by further search or by shafting.

In the distribution of duties among the Government directors, the supervision of the location has fallen to the undersigned, and to that I have chiefly given my attention. Very thorough and extended surveys of the country, of which heretofore so little was known, have been urged, and in this the company has expended much time and means. The advantage is apparent, for the very favorable route across the Black Hills—certainly with easier gradients and of much cheaper construction than was expected—was only discovered, with its connections, by the third year's surveys. The road is now permanently located as far west as Laramie River, 576 miles from the Missouri. The next section requiring very critical examination is the Medicine Bow range, the spurs of which cross our route. Within the next year the location may be established to Salt Lake City, now ascertained by the shortening of the line over the Black Hills to be about 1,032 miles from Omaha.

This report was prepared soon after my return from the mountains, from personal observations and facts politely furnished by the engineers, but delayed so that the levels and distances might be corrected from the official report of the chief engineer, only yesterday presented to the board.

All of which is respectfully submitted.

J. L. WILLIAMS,
Government Director Union Pacific Railroad.

Hon. O. H. BROWNING,
Secretary of the Interior.

Altitude above the sea of various points west of the Missouri River.

	Feet.
Missouri River at Omaha	968
Columbus Station, Union Pacific Railroad	1,458
Kearney Station, Union Pacific Railroad	2,128
One hundredth meridian	2,504
North Platte Crossing, near its mouth	2,790
Julesburg (mouth of Lodge Pole Creek)	3.513
Latham (mouth of Cache la Poudre Creek)	4,600
Mouth of Crow Creek	4,534
Laporte	5,050
Denver	5,302
Golden City, Colo	5,854
Head of Clear Creek Cañon	7,398
Lodge Pole Creek Junction	5,262
Crow Creek Crossing	6,019
Evans Pass	8,242
Cheyenne Pass	8,656
Antelope Pass	8,050
Berthoud Pass	11,426
Boulder Pass	11,700
Bridgers Pass	7,534
South Pass	7,870
Sybill's Pass and Black Hills	7,020
Camp Wallback	7,040
Fort Laramie	4,250
Laramie River at mouth of Laramie Cañon	4,800
Laramie Plains at junction of railroad surveys on Laramie River	7,175
End of the line in Great Salt Lake City	4,285
Mouth of Weber Cañon	4,654
Devil's Gate in Weber Cañon	4,894
Weber Valley at the mouth of Echo Cañon	5,535
Weber Valley at the mouth of Chalk Creek	5,645
Summit at the head of Chalk Creek	7,834
Summit at the head of Echo Cañon	6,879
Surface of water in Bear river on Chalk Creek line	7,503
Surface of water in Bear River on Echo Cañon line	7,045
Summit between Bear River and Muddy, the rim of Great Salt Lake Basin	7,567
In the valley of Muddy, near the overland stage station	7,067
Surface of water in Blacks Fork, 2 miles below the mouth of Muddy	6,375
Surface of water in Blacks Fork, 20 miles below the above	6,257
Summit between Blacks Fork and Green River	6,460
Surface of water in Green River	6,245
Summit between Green River and north branch of Bitter Creek	7,175
Bitter Creek Valley at the junction of Mr. Evans's line	6,315
End of the line in Quilla Valley	4,243
At the point of the Western Mountain	4,267
Surface of water in the Jordan River at the narrows	4,522
Timponogos Valley at the mouth of the cañon	4,892
Timponogas Valley at Kamas Prairie	6,391
On Kamas Prairie	6,667
Surface of water in Weber River at the north end of Kamas Prairie	6,340
Mouth of Chalk Creek in Weber Valley	5,645
North Pass of Cedar Mountains	4,604
Great American Desert	4,480
Reed's Pass of Humboldt Mountain	6,125
Humboldt River	5,220

REPORT OF THE GOVERNMENT DIRECTOR, JANUARY 30, 1867.

SPRINGFIELD, ILL., January 30, 1867.

SIR: In compliance with your request when in Washington last month, have the honor to report for your information the comparative distances, heights, and other suggestions upon the Pacific railroads, authentic data for which was but recently obtained.

In order to fully understand the various titles of Pacific railroads, it is necessary to present a brief description of the different lines to avoid confusion and make a proper discrimination of the routes, progress, also the financial and commercial interests of this great national enterprise.

The Union Pacific Railroad Company was organized October 30, 1863, under the act of Congress of the United States of America, "to aid in the construction of a railroad and telegraph line from the Missouri River to the Pacific Ocean, and to secure to the Government the use of the same for postal, military, and other purposes," approved July 1, 1862; with amendments, approved July 2, 1864.

Commencing "at a point on the one hundreth meridian of longitude west from Greenwich, between the south margin of the valley of the Republican River and the North Valley of the Platte River in the Territory of Nebraska, at a point to be fixed by the President of the United States, after actual surveys; thence running westerly on the most direct central and practicable route through the Territories of the United States to the western boundary of the Territory of Nevada, there to meet and connect with the line of the Central Pacific Railroad Company of California."

Iowa Branch.—The "Union Pacific Railroad Company is hereby authorized and required to construct a single line of railroad and telegraph from a point on the western boundary of the State of Iowa, to be fixed by the President of the United States, upon the most direct and practicable route, to be subject to his approval, so as to form a connection with the lines of said company, at some point on the one hundredth meridian of longitude aforesaid, from the point of commencement on the western boundary of the State of Iowa, upon the same terms and conditions in all respects as are contained in the act for the construction of the said railroad and telegraph first mentioned."

The initial point on th ewestern boundary of the State of Iowa was informally fixed by the President of the United States November 17, 1863, and March 7, 1864, designated and established upon section 10, township 15 north, range 13 east, sixth principal meridian, in the Territory of Nebraska.

Therefore the Union Pacific Railroad commences at Omaha, Nebr., thence to the one hundredth degree of longitude in the Platte River Valley, is thence the "main trunk road" to the western boundary of Nevada Territory or California line.

Central Pacific Railroad of California.—This company was formed and incorporated under the general railroad laws of the State of California June 21, 1861.

"The places from and to which the proposed road is to be constructed, are the city of Sacramento and the eastern boundary of the State of California."

By the act of Congress, approved July 1, 1862, the Central Pacific Railroad Company, of California, after completing its road across said State, is authorized to continue the construction of said railroad and telegraph through the Territories of the United States, on the same terms and conditions in all respects provided in this act in relation to said Union Pacific Railroad Company until said roads shall meet and connect.

Western Pacific Railroad of California.—This company is organized under the laws of the State of California, extending from Sacramento to San Francisco, by way of San José.

The above described companies form the continuous through line from the Missouri River at Omaha, to the Pacific Ocean at San Francisco.

North Branch to Sioux City.—Under the act of Congress July 1, 1862, this company is formed as provided, "and whenever there shall be a railroad completed through Minnesota or Iowa to Sioux City, then the said Pacific Railroad Company is hereby authorized, and required, to construct a railroad and telegraph from said Sioux City, upon the most direct and practicable route to a point so as to connect with the branch railroad and telegraph, in this section hereinafter mentioned, or with the Union Pacific Railroad, said point of junction to be fixed by the President of the United States, not further west than the one hundredth meridian of longitude aforesaid, and on the same terms and conditions as provided in this act, for the construction of the Union Pacific Railroad aforesaid, and complete the same at the rate of 100 miles per year."

By the act, amended July 2, 1864, this branch is transferred to such company now or hereafter organized, as the President of the United States may designate or approve for that purpose, and is now in progress accordingly.

South Branch, Union Pacific Railway, Eastern Division.—This company exists in the State of Kansas, under "An act to incorporate the Leavenworth, Pawnee and Western Railroad Company," enacted in 1855, and subsequently changing its corporate title.

By the act of Congress, July 1, 1862, this company are authorized to construct a railroad and telegraph line from the Missouri River, at the mouth of the Kansas River, on the south side thereof, so as to connect with the Pacific Railroad of Missouri, to the aforesaid point on the one hundredth meridian of longitude, west from Greenwich, as herein provided, upon the same terms and conditions in all respects as are provided in this act for the construction of the railroad line first mentioned; and the Leavenworth, Pawnee and Western Railroad Company may construct their road from Leavenworth to unite with the road through Kansas.

The route was changed by act of Congress in 1866: "*Provided*, Said company shall be entitled to only the same amount of bonds of the United States to aid in the construction of their line of railroad and telegraph as they would have been entitled to if they had connected their said line with the Union Pacific Railroad on the one hundredth degree of longitude as now required by law: *And provided further*, That said company shall connect their line of railroad and telegraph with the Union Pacific Railroad, but not at a point more than 50 miles westwardly from the meridian of Denver, in Colorado."

Central Branch, Union Pacific Railroad.—This company was organized in the State of Kansas, as the "Atchinson and Pike's Peak Railroad Company" and recently changing its title, and derives its rights, franchises, and grants assigned them by the Hannibal and Saint Joseph Railroad Company.

By act of Congress, July 1, 1886, "the Hannibal and Saint Joseph Railroad Company of Missouri may extend its road from Saint Joseph, via Atchinson, to connect with the road through Kansas, upon filing its assent to the provisions of this act, upon the same terms and conditions in all respects, for 100 miles in length, next to the Missouri River, as are provided in this act for the construction of the railroad and telegraph line first mentioned, and may for this purpose use any railroad charter which has or may be granted by the legislature of Kansas."

This road commences at Atchison, Kans., extending westerly, intended to connect with Union Pacific Railway, Eastern Division, thence to connect with the Union Pacific Railroad at 100 meridian, west of Greenwich; but the change of route of Union Pacific Railway, Eastern Division, by act of Congress, in 1866, conflicts with such connections.

The aforementioned companies include all those to which Government bonds are now authorized to be paid, though several of the following lines have valuable land grants in aid:

Pacific Railroad of Missouri.—In operation from Saint Louis to Kansas City.

Southwest Branch, Missouri.—In operation from Franklin, on the last-named line, to Rolla, but recently organized as the Atlantic and Pacific Railroad, extending by the proposed route near 35° parallel to Pacific coast.

Central Pacific, of Arkansas.—From Memphis, Little Rock to Fort Smith.

Memphis and El Paso.—Through Arkansas and Texas.

South Pacific.—From Shreveport, La., through Texas.

Gulf and Pacific.—From Matagorda Bay, Texas, through Arizona, to San Diego, also connecting with proposed line in Mexico to Guaymas.

South Pacific of California.—From San Francisco to San Diego.

San Francisco and Central Pacific.—From Sacramento to Benicia.

Northern Pacific.—From Lake Superior to Puget Sound.

Many of the above-mentioned companies have applied for United States bonds in aid of construction, and bills are now pending before Congress of the United States for that purpose; therefore, a comparison of the proposed routes, connections, and distances is important to decide the question as to their merits and necessity.

The lines of railroad in operation and progress from the principal points in the present railroad system, to connect with the Union Pacific Railroad, are shown as follows:

	Miles.
South Branch, from Wyandotte, via Lawrence, Fort Riley, Denver, to Junction, base Rocky Mountains	713
From Wyandotte, via Leavenworth, Saint Joseph, and Council Bluffs, B. R. U. P. R. R., to Rocky Mountains	699
From proposed connection at or near Omaha—	
Via Cedar Rapids, Clinton, to Chicago	502
Via Rock Island, to Chicago	492
Via Burlington, Iowa, to Chicago	505
Via Saint Joseph and Kansas City, to Saint Louis	468

	Miles.
From proposed connection at or near Omaha—Continued.	
Via Saint Joseph, Macon, to Saint Louis	421
Via Saint Joseph and North Missouri extension	452
Via Chicago, Sarnia, Montreal, to Portland	1,643
Via Chicago, Detroit, Suspension Bridge, Albany, to Boston	1,522
Via Chicago, Toledo, Cleveland, Dunkirk, to New York	1,450
Via Saint Joseph, Quincy, Springfield, Ill., Fort Wayne, Pittsburgh, Allentown, to New York	1,454
Via Burlington, Iowa, Logansport, Fort Wayne, Pittsburgh, Allentown, to New York	1,386
Via Saint Joseph, Saint Louis, Indianapolis, Ind., Columbus, Ohio, Pittsburgh, to Philadelphia	1,419
Via Saint Louis, Cincinnati, Parkersburg, to Baltimore	1,349
Via Saint Louis, Cincinnati, Parkersburg, to Washington	1,320
Via Saint Louis, Cairo, Corinth, Atlanta, Augusta, to Charleston, S. C	1,466
Via Saint Louis, Cairo, Columbus, Ky., to Mobile	1,099
Via Saint Louis, Cairo, Memphis, Jackson, to New Orleans	1,210
Via San Francisco, Omaha, to Saint Louis	2,311
Via San Francisco, Omaha, to Chicago	2,392
Via New York, Saint Louis, to San Francisco	3,385
Via New York, Chicago, to San Francisco	3,291
Via Washington, Cincinnati, Saint Louis, to San Francisco	3,210
Via Washington, Harrisburg, Chicago, to San Francisco	3,233

By comparison of the above distances it is evident that the principal Atlantic and Gulf ports and prominent railroad centers, as well as of trade and commerce, have equal facilities to a common point on the Pacific coast by the Union and Central Pacific Railroads and quite as favorable routes as the other proposed lines. The undulations, or rise and fall, will be seen by the following table:

Distances and heights between Omaha and San Francisco.

	Distances.	Above sea.		Distances.	Above sea.
	Miles.	*Feet.*		*Miles.*	*Feet.*
Initial point Missouri River, Omaha.	....	965	American Desert	1,161	4,480
			Humboldt Mountains	....	6,125
One hundredth meridian	247	2,504	Humboldt Valley	1,243	5,220
Base Rocky Mountains	517	6,019	Truckee River	1,526	....
Summit Evans Pass	548	8,248	Nevada and California State line	1,560	....
Laramie River	578	7,175	Summit Sierras	1,620	7,042
Summit Rattlesnake Pass	613	7,560	Western Base Nevada Mountains	1,709	....
North Platte	667	6,695	Sacramento City	1,716	Tide.
Bridger Pass	690	7,534	San José	1,836	....
Green River	820	6,092	San Francisco	1,890	....
Reed's Summit	910	7,556	Omaha to base of Mountians and branch to Denver.	630	5,302
Salt Lake City	1,035	4,236			
Cedar Mountains	....	4,604			

GOVERNMENT SUBSIDIES.

The acts of Congress provide that each of the companies refered to in the act of 1862 and amendments thereto may receive United States bonds, payable in thirty years, with 6 per cent. interest, at the rate of $16,000 per mile on portions of the line; $48,000 per mile for most mountainous and difficult of construction, namely, 150 miles westwardly from the eastern base of the Rocky Mountains, and 150 miles eastwardly from the western base of the Sierra Nevada Mountains; $32,000 per mile between the sections last named; also 12,800 acres per mile of every alternate section of public land, designated by odd numbers, on each side of said railroad, on the line thereof, upon the certificate of United States commissioners that 20 consecutive miles are completed.

The companies are authorized "to issue their first-mortgage bonds on their respective railroad and telegraph lines to an amount not exceeding the amount of the bonds of the United States, and of even tenor and date, time of maturity, rate, and character of interest, with the bonds authorized to be issued to said railroad companies respectively, and the lien of the United States bonds shall be subordinate to that of the bonds of any or either of said companies hereby authorized to be issued on their respective roads.

"The grants aforesaid are made on condition that said company shall pay said bonds t maturity, and shall keep said railroad and telegraph lines in repair and use, and shall t all times transmit dispatches over said telegraph lines, and transport mails, troops, nd munitions of war, supplies, and public stores upon said railroad for the Government whenever required to do so by any Department thereof, and that the Government shall at all times have preference in the use of the same for all the purposes aforesaid, at fair and reasonable rates of compensation, not to exceed the amounts paid by private parties for the same kind of services, and one-half of the compensation for services rendered for the Government by said companies shall be required to be applied to the payment of the bonds issued by the Government in aid of the construction of said roads."

The financial success of the work depends much on the judicious application of the funds derived from these bonds, lands, as well as the subscription of stock, and negotiations of bonds authorized; yet the credits here offered are deemed ample, under economical and sagacious, experienced managers, to complete the work at an early period, and prosecute it as rapidly as the wants of the country demand, and it is now confidently expected that the whole line may be in operation in 1870.

Having thus presented this description of the lines with the characteristics of the route, there is another subject of vital importance to its security and ultimate completion, that is soon likely to be fully discussed and considered, that of

LEGISLATION.

Referring to the original act of Congress granting aid to Pacific railroads, the principles recognized and objects to be attained are fully expressed in the title, "To secure for Government the use of the same for postal, military, and other purposes; and upon the most direct, central, and practicable route through the Territories of the United States," at the same time providing for the several branch lines to afford connections with the principal lines of railroads in the Western States between 35° and 45° of latitude, and thus concentrating all the lines in the Eastern States, from Maine to Georgia, terminating at the most important cities and seaports on the Atlantic coast.

The subject of legislation is increasing in importance, affecting the interests of nearly every department of business, and is less of a political and more of a national character in regard to railroads. As the system is extended the collision of interest is so formidable that it requires more than ordinary vigilance and firmness for the protection of the public interests, and it is almost impossible to hope that from the separate and connected proceedings of bodies whose existence commences and terminates with the occasion of each particular project there should issue any distinct system uniform in its foundation and principle.

It cannot be too constantly kept in view that the great difficulties are now only beginning to be experienced, that questions for decision are comparatively simple so long as each new scheme is applicable to a new and separate district of country, but when its interest extends through adjoining States, or across a continent, it becomes of paramount importance.

It may be said with propriety—the present time exhibits an era in the history of the country—that this is a day in which the public mind is stimulated by a great spirit of enterprise, and there is no doubt enterprise desires encouragement; yet all must admit that is not commendable when it degenerates into a mere spirit of speculation.

One of the forms in which this spirit now exhibits itself is that of railroads; it is even deserving in proper limits and bounds of our encouragement, but this very matter is liable to tend to generate speculation and distrust.

This state of things calls for great discretion and consideration. One part of the principle that is to govern us is that we avoid the hasty granting of corporate powers; the other warns against the infringement of already granted powers. A general motive and rule of conduct to be observed with great caution is that they be established where a clear necessity for them exists; this is required as well for the public as for individuals.

If there is not an essential exigency, a high demand for the proposed work, all the expense incurred is so much improperly expended, lost to the community, and not of sufficient public utility and use as to require its promotion for the time being.

On the other hand a persistive course of legislative interference with the various pursuits of commercial and industrial enterprise, and with the complex relations of supply and demand, for the purpose of protecting the public interest, has abundantly proved the fallacy upon which it is based.

Enlightened public sentiment now justly condemns any restrictions by legal enactments upon the free operations of traffic and commerce. Railroads, as compared with any other mode of transportation on land, it needs no argument to prove, can have no successful competition; they are to a certain extent exclusive just in proportion to their superiority, and the safe operation of a road requires unity of action—a combination of details which cannot be obtained without confining the management of the traffic within the limits of its control.

No benefits have been obtained by competition for a long period except in populous districts, where the traffic is sufficient to afford adequate income to rival lines, but in such cases it may well be questioned whether the public interests are enhanced by competition.

Taking it for granted that a large proportion of the cost of transportation consists of the amount and use of capital invested, from which an income is expected, it is evident that an equal amount of business could be done much cheaper with the same profit on one line than if the same traffic is divided between two or more lines; consequently the general welfare is more effectually promoted by a single road properly conducted and restricted than by competition by rival lines, and often results, as it may in the lines referred to, in consolidation of the roads, instead of competition injurious to the capital, thus requiring an income on increased investments from the regions contributing to the traffic.

Every improvement whenever made among nations holding intercourse with each other, and it is emphatically true of different parts of the same nation—every such improvement results in the common benefit of the whole; every product enters into and forms a part of the elements of other products.

Transportation is an item in the cost of production, which is enhanced in value in proportion to the cost of conveying it from the original place of creation to the place of consumption or ultimate use; therefore, whatever facilitates transportation and diminishes expense enriches the communites producing and consuming.

We now learn, and a large part of the world understand, that for commerce to rest on the most solid basis it must deal on the largest scale in commodities which command the largest consumption. It only remains to consider this subject now

FINANCIALLY AND COMMERCIALLY.

With these views, and the experience of other lines constructed, the railroad system has been extended in the Eastern States between the most important cities, connecting the manufacturing and mechanical with the mineral and agricultural districts; the commercial and seaport towns with the rural villages and country, yielding an average remunerative income on the investment.

The capital required has been derived from stock subscriptions and from States and cities, yet a large proportion is loaned on bonds and mortgages having priority of lien to other securities.

In the Western States this modern system has been promoted, even beyond the Mississippi River, by individual enterprise, combined with loans on securities of States, counties, and proceeds of land grants, which has developed the rich regions through which the roads pass and increased the value of property along their lines more than the whole cost of the roads, as is demonstrated in their official reports.

When railroads were first introduced some men wondered, others looked upon their success as impossible, most doubted it being a profitable investment, and few deemed it necessary to act with forethought then respecting them; therefore, from lack of skill in their construction, inexperience in management, and want of sagacity in financial affairs, many of the early projects proved unsuccessful pecuniarily to those who invested with hope of dividends and income, yet they have increased the value of property, developed the resources of the country, and now we more fully realize their success.

We ought therefore to fully understand what advantages we derive, what evils to guard against, and consider the best modes to obtain one and avert the other, and duly exercise our judgment and apply correct principles as in other affairs of business.

Although many volumes have been written exhibiting the physical, political, and moral aspects of the country, apart from the equally interesting topics of its commercial, financial, and social interests with which they are now so closely allied, yet an accurate knowledge of the effect of this combination is by no means generally understood, even by those whose pecuniary resources are to a large extent influenced, promoted, and intimately identified in their results as safe investments.

Railroad securities, stocks, and bonds of our main lines are now sought as the most favorite investments, and rank favorably with other financial loans in the market, and may continue so if prudent measures are taken to secure and protect them.

The amount issued, to receive dividends, should represent the least possible cost to secure those holding them.

If, however, large amounts of such bonds and stocks are to be negotiated by rival lines and adverse interests, it will soon tend to depreciation, or suspension of all such projects, as the uncertainty of regular dividends affects the value of such securities more than the ultimate payment of the principal, as that is secured and fixed in future.

If we turn our attention to finances, we find no subject so agitates the minds of the people as the currency, and the broader questions of the proposed national financial policy in funding and preparing for maturing debts at the lowest possible rate of interest, affecting prices and values, which is a matter of hope and fear to every citizen until something definite is settled, and as a practical matter of reform we must return to specie payments, though not accomplished suddenly, yet by steady and constant contractions. This question as to value of currency is not one of national honor, credit, confidence, or of ultimate security, but of the relation of supply and demand, which fixes prices of currency as other commodities.

The amount of aid now authorized by the Government is estimated at over $60,000,000 for the main line and branches.

It therefore becomes a serious consideration whether hundreds of millions more should now be granted, though it would develop the region of the proposed routes advocated, and tend to concentrate traffic upon other lines of railroads in the immediate vicinity.

Yet it may equally subserve the public interest to limit the subsidy to such amounts as is absolutely necessary for that purpose, and go on to complete one main line to the Pacific by concentrating all the capital, energy, and traffic, and make that remunerative, than to divide our resources among several rival lines with uncertain success.

It is probable the trade and travel will astonish those who have not investigated the subject when the road is fully in operation to the mineral regions of the mountains. Though the local traffic in an unsettled country is small at the early completion of such improvements, yet it will afford increased facilities to the Government for "postal, military, and other purposes," as was designed.

All objects of human use naturally tend toward the points where they are demanded for consumption, and the removal of natural obstacles by artificial transportation has enabled the productions of our great Western interior to comply with this principle of trade; and those interior productions tend to their markets at the seaports at several points.

This country is especially adapted to become a great commercial one. Its forests of timber, its mines of iron and coal, its rivers and harbors, its connections with so many foreign countries by steamers and sailing vessels, and the new links now soon to be made between the East and the West forming a thoroughfare between Europe, California, and China, we shall naturally become to a large extent the carrier of the world's products, and take the place Venice and Holland once held and England now holds if judicious measures are taken to promote such results.

To the enterprise and science of our capitalists and engineers belong the merit of announcing and influencing this law of trade, a triumph of art over nature as truly magnificent as astounding.

This system of railroad lines is driving the whole trade area to the Atlantic cities and the exchangeable values created in every other part of the Union. Truly this trade conquest has produced a revolution in the internal commerce, making the whole nation tributary to a few commercial cities.

It is claimed as an axiom that the commerce of a country increases in distinct proportion to the improvement of its railroad system, and that railroad development is one of the most powerful and evident causes of the increase of commerce.

The exports and imports bear a variable but appreciable proportion to the inland traffic of a country.

The one source of wealth, national and individual, next to the energy and industry of our people is the large quantity of lands held and granted for public improvement, which will soon become settled and add to the traffic and productions of the country. Though not all at present susceptible of profitable cultivation, from the dry climate in the mountain region, yet they will be used for grazing, and, like India, Egypt, and Mexico, ultimately will be irrigated by artificial methods and become fertile.

The public lands along the lines are of great value—an inheritance unsurpassed by any nation in the past—which, when fully developed by its agricultural, minerals, precious metals, lead, iron, and other resources, will be increased many fold in value by the improvements projected.

We are aware it is the legitimate province of the Government to administer justice and protect its citizens; the establishment of industrial and commercial pursuits and legislation of analogous character can hardly be said to be confined to its purposes.

There are reasons why public sentiment approve, and be the condition precedent to legislation. Railroad extension is not promoted in the long run by ruinous projects or wasteful financiering, but should tend to restore credit and hasten the payment of the public debt by increasing taxable property and wealth of the nation.

The pursuits of commerce are absolutely essential to other departments of industry to render them remunerative. The facilities of a market are even vital to some pursuits and all enterprise. Acting on this principle, nations have granted large subsidies to develop public improvements.

These facts are recognized, and the expenditures made, though private enterprise could not afford to enlist in so great an undertaking, and without Government aid capitalists would not enter on hazardous experiments and advance large sums to carry on such work rapidly; only by such aid can it be accomplished, and is warranted by the broad consideration of its importance; applying a portion of the rates of transportation of mails, military supplies, and troops to liquidate the bonds in a few years. It is not always practicable to carry on improvements by the Government; exigencies arise which complicate these matters; true statesmen understand this and provide accordingly. Therefore the Government has acquired a new claim on the gratitude of the people by delegating to a company of experienced and responsible capitalists the duty and privilege of completing this work, under the supervision of Government directors to the acceptance of United States commissioners, and in aiding it by public credit and grants of lands by which it will progress upon a uniform system, exempt from the delays and uncertainty of annual appropriations, and upon a continuous plan matured by those who have the skill and practical knowledge of its affairs to secure the most favorable results to all concerned.

This subject has been extended, more than first intended, to elucidate by a comprehensive view of all interests and supply the want of definite information in regard to these lines of railroads.

If I have been successful in a duty, in the position occupied, is all that is claimed in promoting this work of national importance.

In conclusion will state that nearly 600 miles of the main and branch lines are in operation, and probably 400 miles more will be completed the present year.

The Union Pacific Railroad Company have recently contracted 212 miles to the base of the Rocky Mountains; also arranged for bridging the Missouri River at or near Omaha, to be completed in 1867, which will give a continuous line of railroad an average distance of over 2,000 miles from the Atlantic coast.

But who shall estimate the consequences that will follow the prodigious increase of commerce, the activity of national intercourse, the spread of civilization, and advance of human intelligence by such extension of this modern system in the world?

Respectfully submitted by your obedient servant,

T. J. CARTER,
Government Director Union Pacific Railroad.

Hon. O. H. BROWNING,
Secretary of the Interior, Washington, D. C.

REPORT OF THE GOVERNMENT DIRECTOR, JULY 23, 1867.

OFFICE OF UNION PACIFIC RAILROAD,
Omaha, Nebr., July 23, 1867.

SIR: I have the honor to report for your information in regard to the Union Pacific Railroad and affairs affecting its interests.

On arriving here, June 20, have since devoted my time in a personal examination of the road, work, location, and surveys between Omaha and Laramie River, a distance of 576 miles. The road is in operation for traffic to Julesburg, 377 miles; the track laid 410 miles, and grading completed 450 miles, and in active progress with efficient force to Cheyenne, near the base of Rocky Mountains, 517 miles.

The line has been located over the mountain to Laramie River, and work will be contracted and commenced soon on that portion of the line where heavy rock work is encountered, which will require a large force for several months to complete ready for track-laying.

There has been some delay in delivery of iron from difficulty in crossing Missouri River during high stage of water at three several periods this season, much embarrassing the operations of the road and practically demonstrating the great importance of bridging the river at the earliest period possible for the interests of the company and the public.

Large quantities of iron materials, engines, and cars are now waiting delivery across the river at this point, causing delay in the progress of the road, and is likely to often occur until a permanent bridge is completed for use.

Surveys and investigations have been made and are in progress to effect that object, and it is probable active measures will soon be adopted to insure the construction of a bridge across the river at some proper and convenient point for the traffic to render the line continuous for the connecting lines of railroad in Iowa.

The location of the Union Pacific Railroad, in accordance with its charter, upon "the most direct central practicable route," passes about 100 miles in a direct line north of Golden City, the capital, and Denver, the principal city of Colorado Territory and the regions of the mining interests. While the topographical features of the country and other obstacles preclude the main line of railroad from affording the necessary facilities for transportation to those extensive and rapidly developing interests, their importance has by no means been overlooked by the directors of the Union Pacific Railroad Company.

Having been requested to investigate the subject of a branch line from some point accessible to accommodate the traffic in that vicinity, held a conference with the directors of the Colorado Central and Pacific Railroad Company, duly organized under a charter granted for that purpose.

The citizens of Colorado have recently adopted measures to furnish means, by county subscriptions to stock, to grade the road upon condition that responsible parties will put down the superstructure and operate the road under proper arrangements, with the co-operation of the Union Pacific Railroad Company.

The present indications are that these efforts may be successful, and the branch line may be completed at least to Golden City next year.

From my trip to the gold and silver mines, and inquiries made in regard to these extensive and valuable interests, am fully convinced that their rapid and successful development principally depends on more certain, safe, and cheap facilities for transportation of persons and property.

The cost of living, high wages, scarcity of material for working the mines, combined with the want of scientific and skillful persons to direct operations, effectually embarrass all those interests to render them unprofitable at present, but may be so managed as to afford reasonable profits on the labor and investments.

The Indian depredations on the line of the Union Pacific Railroad for months past have been a serious embarrassment to the location, construction, and operations of the line, and require particular notice at present time.

Since April last hostile tribes have constantly and persistently attacked the engineering parties in the discharge of duties, killing two of the assistants in charge of corps, and killing and wounding others associated with them, stealing horses, mules, and other property, causing great inconvenience and delay to the progress of the road.

This sacrifice of valuable lives, in performance of responsible duties so necessary for the active progress of a great public improvement, so important to the interest of the country, calls for a serious and careful consideration of the subject, that prompt and decisive measures be adopted to prevent such occurrences, and punish the offenders in a manner to restrain massacre and violence hereafter.

Having traveled over a thousand miles recently through the "Indian country," in Nebraska, Colorado, and Dakota, where hostile bands of Indians have been frequently seen committing depredations, and knowing from personal experience of the dangers and difficulties to all unprotected travelers, emigrants, and citizens in those regions, deem it a duty, not only with reference to the railroad interests I represent officially, but more particularly to the security, settlement, and development of this Western domain, that I report the facts and condition of affairs now existing, especially when incorrect impressions and statements are circulated calculated to mislead the officers of Government and the public generally upon this subject.

While it is to be regretted that personal interests conflict with public duty or that public improvements often sacrifice private property, yet am surprised at an official statement reported as follows: "The employés of the Union Pacific railroad are also advocates of war," knowing it to be a misrepresentation of facts, when all their interests are in direct opposition to such measures except to save their lives and property unmolested, as self-preservation demands.

Not only have the railroad company been delayed, and incurred much loss from these depredations, but also in diminished traffic over the road during these hostilities, when all travelers and freight are deemed unsafe in passing through the country, to such an extent the trade, mining, and other business of that region is nearly paralyzed from the results of these Indian raids.

The question naturally arises in such state of affairs, what can be done to avoid further difficulties and restore peace and safety to that section of country?

After a full conference with the officers of the Army in command of the Department and at the several military posts along the route, I am gratified to state they have offered every facility in their power to protect the railroad and aid its extension as for the best interests of the company, the Army, and the country. But the present military forces in that region are entirely inadequate for the *emergency;* therefore *larger* and more *efficient forces* are required *immediately* to afford protection to persons and property, which every citizen of our common country claims as a right secured to them at all times and places at the hands of the Government.

The acts of Congress authorize the location and construction of the Union Pacific Railroad through this region of country without any reservation of other rights. The importance and necessity of this road, not only to the people of this section but to the Government itself, is so fully acknowledged and appreciated that it requires no discussion here. It must be extended at all hazards. The funds are provided, the men are at work, and the enterprise cannot be delayed, but must progress as rapidly as possible to completion, even if with an instrument or spade in one hand for service and a rifle in the other hand for self-preservation.

What measures are to be adopted and the policy to be pursued are questions of vital importance and need prompt and definite action to insure success on the part of the Government or those who may be entrusted with these affairs. While commissions are acting, treaties proposed, troops organized in the usual formal manner, the time for effective and decisive action has passed and nothing determined.

Humanity dictates that judicious arrangements should be made to protect the people as well as to consider the rights of savages who show no respect for treaties, life, or property.

Whether the Indians are to be civilized by the proposed policies of "reservations," "absorption," or "extermination" are theories which philosophers and politicians may freely discuss with wide difference of opinion and probably no practical results.

When the hostile tribes are civilized, Christianized, devoted to pastoral and useful pursuits, acknowledging and respecting existing treaties, it will become a profitable subject for consideration how they should be provided for as citizens of the country in future; but in the present condition of affairs we must meet the practical question as presented and adopt effective measures to suit the circumstances.

Whatever views are presented or policy adopted to avoid the present difficulties, the great national enterprise so liberally granted, aided, and promoted by the United States, which has been so promptly organized and prosecuted by the energy and means of the company, the financial, commercial, and political interests involved, mutually advantageous to Europe, China, and America, are sufficient reasons why the Government should afford all proper protection and facilities for its accomplishment.

Respectfully submitted.

T. J. CARTER,
Government Director Union Pacific Railroad.

Hon. O. H. BROWNING,
Secretary Interior, Washington, D. C.

REPORT OF THE GOVERNMENT DIRECTORS, AUGUST 16, 1867.

NEW YORK, *August* 16, 1867.

SIR: The Government directors of the Union Pacific Railroad Company have the honor to report:

That since their last report the work on the road has progressed in a manner creditable to the officers of the company. Since the opening of the season for work there has been about 190 miles of grading finished to this date. Upon this there has been 140 miles of track laid and accepted by the Government commissioners. In addition there has been work done on the grading, but unfinished, about 100 miles further; all of which, it is confidently believed, will be finished and the superstructure and rails laid before the close of the season.

The number of miles of track finished and in operation at this date is 430 miles.

In the month of June last we detailed one of our members, Mr. Carter, to proceed to the foot of the Rocky Mountains to examine the location of the road in each direction and ascertain and determine as to the proper location, so as to secure the best and most direct route and an early and speedy construction through the mountain passes. On his return from his fatiguing and rather dangerous journey he reported that the work through the mountains was progressing favorably and that in company with the chief and consulting engineers of the company he had carefully examined the location selected, had suggested improvements that had been adopted, and that the route selected was very favorable for the construction of the road and the ready operating of it, when finished. His opinion is that the road may be constructed to the summit of first range of mountains this season, if the same energy is used as heretofore, and if the military authorities will afford sufficient protection.

At the same time we detailed another of our number, Mr. Williams, to proceed and examine the several proposed sites for a bridge over the Missouri River and give his opinion upon a proper plan therefor. To erect a safe and permanent bridge across that river is one of the most difficult problems that the engineering talent of the country has been called on to solve. Our own observation of the shifting banks and ever changing channels of that river convinces us, as it has all other persons who are acquainted with it, that the best experience of the country as well as a large amount of money will be required to effect that object. No definite and approved plan has yet been presented for the construction of the bridge, nor is Mr. Williams yet ready to give his matured views on the subject.

In the month of July last we all visited the line of the road as far as the same is finished and in use. We found the road-bed and track well constructed and in all respects in conformity to the law. We found two machine shops in full operation—the one at Omaha, with its machinery, costing about the sum of $250,000, and the other, at North Platte, costing about $20,000, with a force of men working therein of 350, and a capacity of making 20 cars per week and of repairing all their machinery.

We found in the possession and owned by the company 47 first class locomotives, 826 freight cars, 10 passenger cars, 5 baggage cars, 60 hand cars; also, in the course of building and contracted for, 6 locomotives and 300 freight cars.

There are about 300 men employed in the operating department.

The gross receipts of the road during the month of May were $260,000; for June, $180,000; for July, $300,000; and for the first week in August, $98,000.

As an evidence of the rapidity with which the work is progressing and the evident design to urge it to an early completion there is at this date 3,500 men employed on the grading, and 450 men engaged in laying the superstructure.

At the crossing of Crow Creek, 514 miles west of Omaha, at or near the point of the eastern base of the Rocky Mountains, the town of Cheyenne has been laid off and lots are being sold by the company. It is expected that the track will be laid to this town by the 1st of October, and when completed it is the design of the company to erect large machine and repair shops. At the same place the military authorities have located a military station and depot of supplies. It must become an important station, and from it, by means of branch roads, access will be had to the coal and mining regions. Negotiations are now being in progress for one of those branches, and it is to be hoped that it will soon be constructed.

The result of our examination was perfectly satisfactory, and we cannot too highly commend the energy and perseverance displayed by the company in the prosecution of this great work.

CHAS. T. SHERMAN.
GEO. ASHMAN.
SPRINGER HARBAUGH.
J. L. WILLIAMS.

Hon. O. H. Browning,
Secretary of the Interior.

REPORT OF THE GOVERNMENT DIRECTOR, JUNE 16, 1868.

FORT WAYNE, IND., *June* 16, 1868.

SIR: On the eve of departure for the line of operations in the locating and constructing of the Union Pacific Railroad through the mountain district, I deem it proper to communicate to the Secretary of the Interior such facts as have come under my notice, which may be of interest at the present time.

(1) *As to the location.*—In my report to you of 23d November, 1866, the very advantageous route at 90 feet maximum grade across the first mountain range, the Black Hills, discovered after extensive surveys continued through three seasons, was fully described. The season of 1867 was occupied in further preliminary surveys, more minute and careful than before, between the Black Hills and Salt Lake, under the immediate direction of General Dodge, chief engineer. In the spring of 1868 the final location of this division was commenced preparatory to the building of the road. For the last section of 150 miles, embracing the crossing of Green River and the Wahsatch range, more difficult than the Black Hills, the chief engineer was fortunate in securing the services of J. Blickenderfer, jr., of Ohio, an engineer of large experience in railroad location and of acknowledged ability. Recent advices from him show that the same limit of gradient adopted over the Black Hills (90 feet per mile) can be used over the Wahsatch at reasonsonable cost, and this, therefore, should be established as the maximum grade of the Union Pacific Railroad east of the Sierra Nevada. Between the Black Hills and Wahsatch ranges 60 feet per mile is the ruling grade. Mr. B. further thinks it probable that the eastern ascent of the Wahsatch can be made at 60 feet per mile.

Having been placed at the beginning on the locating committee of the board, and appreciating the importance of securing the best location for this continental railroad, I have made this a matter of special duty. And now as the location draws near a close, while minor mistakes have doubtless been made, yet I have great confidence that the general route, as selected and approved by the chief engineer, as far west as Salt Lake, is the proper one. The length of the road from the Missouri River to Salt Lake Valley, near the mouth of the Weber, is 1,020 miles, and to the north end of the lake 1,100 miles.

(2) *As to the construction.*—The track has now reached a point about 640 miles west of Omaha. Its progress this season has been more rapid than could have been expected, considering the comparatively heavy work and the remoteness from the sources of supply of men and materials.

The arrangements of the company for the construction of the mountain section seem to have been enlarged to a scale more than proportioned to the difficulties.

Heretofore the year 1870 has been assumed as the time when the two companies, one working from the Missouri and the other from the Sacramento, would probably meet. But it now looks as if they would even sooner accomplish a junction. Indeed, Mr. Durant, vice president and general agent, talks (I think, wildly) of reaching Salt Lake from the East during the season of 1868.

It is of course apparent to every experienced builder of railroads, that the present very rapid rate of progress in this undulating and in some places mountainous country presupposes the passing over or around some points of heavy grading and the temporary substitution in many places of timber trestle-work for permanent stone culverts and for stone abutments and piers under the bridges.

In view of the desirableness of the speedy opening of a railroad across the continent, temporary work to some extent is justifiable, provided a full force of workmen is maintained behind the track-layers, cutting down to the true grade, completing the tunnels, and substituting stone masonry and earth embankments for this temporary trestle-work. This, I am assured by the managers, is being done, but to what extent and how rapidly the Government directors will be better able to report on their return from the line of operations.

If the general gratification at the present unexampled progress of the track has, in my case, been somewhat moderated, the reason lies in the apprehension that a well-finished road through this mountainous district could not be built in so short a time, and that the substitution of permanent work promised by the managing directors, no doubt in good faith, might not be accomplished before the available means of the company, after this hasty opening of the road, shall have passed beyond control of the board and, it may be, been divided in the shape of large profits to the contracting parties.

In the standard for the construction of the work, adopted at the convention of directors, commissioners, and other experienced railroad gentlemen, and approved by the Secretary of the Interior February 24, 1866, the following well-considered paragraph occurs:

"The argument in favor of speedy construction must be subordinate to the substantial objects of the road; and the Government must be certain to have a work that will convey its mails, troops, munitions of war, and the commerce of the country with entire certainty, celerity, and convenience."

Apprehending that the tendencies under this very rapid progress were in the opposite direction and might lead to subordinating the paramount object of a well-built and well-furnished road to that of progress, I visited New York last week, that being the regular time for the quarterly meeting of the board. Though no meeting was held, yet two of the Government directors then present were favored with an interview with some half dozen members of the board, among the most influential in control, both in the Union Pacific Railroad Company and in the operations under the construction contract, including the president and vice-president of the company. In this interview I endeavored to impress these gentlemen with some views which I have entertained, in substance as follows:

(1) That a substantial, permanently-built, and well-equipped road, with stone culverts and bridge, abutments, and with sufficient shops and station buildings, as contemplated by the law, will be required by the country and the Government, in consideration of the very liberal subsidies granted by Congress.

(2) That while temporary structures, and, in some cases, temporary high grades, are justifiable in order to get the track in use, so as to carry forward the iron and material; yet that stone masonry in culverts and abutments, the tunnels and cuts, completed to the established grade, with sufficient shops and station buildings, should immediately follow, so that they may be paid for out of the current means derived so largely from the Government and first-mortgage bonds, especially on the mountain section, and not left dependent upon the net income of the road, which will be needed for other purposes than construction.

I referred also at this informal meeting to a paragraph in the standard of construction above alluded to, which reads as follows:

"Culverts and abutments for bridges and drains should be of stone, whenever a durable article can be obtained within a reasonable distance, say from 5 to 8 miles, depending upon circumstances, provided that temporary trestles may be adopted upon assurance to the satisfaction of the commissioners that stone abutments will be substituted immediately after the line shall be opened, so that stone can be transported thereon."

This standard of construction is referred to and made part of the contract under which the mountain sections (where stone is generally convenient) is being constructed, as will be seen by the synopsis of the contract hereto annexed.

Assurance was promptly given by the managing directors present that these views as to the substitution of permanent work would be carried out; that on the first division east of the Black Hills, of 100 miles, where numerous small water courses are crossed temporarily by trestle-work, contracts had already been made for the substitution of stone culverts and abutments during the present season. It was also stated that in place of temporary trestle piers and abutments sustaining the Howe truss bridges over the Laramie and other rivers west of the Black Hills, stone abutments and piers are now in progress.

In this connection, while expressing gratification with these preparations for a full and prompt completion of the road by permanent structures, I further suggested an adequate reserve fund for this purpose, consisting of a fair proportion of the Government bonds due to each twenty-mile section, which, instead of being paid to the contracting parties, should be retained and held specially for this object, and applied for the benefit of the road and its stockholders, as needed for completing the construction.

The existence of a contract for construction of the road, the provisions of which this suggestion might seem to interfere with, should not prevent a prudential measure like this, so beneficial to the road, since the contractors and the company are mainly the same parties. For on this work, as is understood, the stockholders virtually build their own road, the contract system having been resorted to for greater convenience.

The Government directors have, of course, no means of knowing in what shape any agreement between the agents of the company and the commissioners who accept the work have been placed respecting the substitution of permanent work and the erection of shops. Without presuming to inquire regarding the official action of others, yet the inherent difficulties manifestly surrounding the subject may perhaps justify a suggestion that if binding agreements could be made under the law by the commissioners, on the acceptance of each twenty-miles section hereafter received, which would authorize the proper department of the Government to withhold a part of the bonds due to such section, or to any section in advance and not yet constructed, equal to the cost of substituting permanent work, excavating cuts to the proper grade, finishing tunnels, erecting shops, and otherwise completing the railroad in accordance with a reasonable construction of the Union Pacific Railroad act, such action would be far more effectual than any measure which the Government directors can enforce or suggest. I should add, however, that a safer judgment can be formed as to the necessity of some such measure after they shall have personally examined the work.

I regret that I have not the advantage of consultation with the other directors on the part of the Government in regard to these facts and suggestions, but being widely scattered, from Massachusetts to Missouri, and not having been called together for a meeting of the Board since early in March, a conference seems impracticable. I doubt not, however, they would equally with myself contribute whatever may be in their power to promote the interest of the work and secure as nearly as may be a compliance with the true intent of the law.

Respectfully submitted.

J. L. WILLIAMS,
Government Director Union Pacific Railroad.

Hon. O. H. BROWNING,
Secretary of the Interior.

SYNOPSIS OF CONTRACT.

In August last a contract was made, nominally with Hon. Oakes Ames but really with the same contracting company under whom the entire road is being built, which company, as is generally understood, embraces nearly all the stockholding interest. In point of fact the stockholders build their own road on this work, the contract being a matter of convenience merely. The main points in this contract are as follows:

(1) As to price:

	Per mile.
1. 100 miles west from one hundredth meridian	$42,000
2. 167 miles west from one hundredth meridian	45,000
3. 100 miles west from one hundredth meridian	96,000
4. 100 miles west from one hundredth meridian	80,000
5. 100 miles west from one hundredth meridian	90,000
6. 100 miles west from one hundredth meridian	96,000

The four sections last named embrace the Black Hills Mountain range, the Rattlesnake and Medicine Bow spurs, with other comparatively heavy work westward to near the Wahsatch range, including the North Fork of the Platte and the Green River.

(2) The prices include 6 per cent. of sidings and an equipment not less than $7,500 per mile, cash cost.

(3) Rails to be 56 pounds to the yard, with fish-bar joints.

(4) The road to be built according to the standard recommended by the convention of directors and commissioners called at Washington, February 24, 1866, by the Secretary of the Interior, and adopted by that office for the construction of the road.

(5) The chief engineer, on final estimate of each section, deducts what it may lack of $7,500 per mile of equipment; also to deduct the cost of reducing any temporary grade, curvature, &c., to the grade or curvature established by the chief engineer, or as approved from time to time by the company.

REPORT OF THE GOVERNMENT DIRECTOR, AUGUST 15, 1868.

FORT WAYNE, IND., *August* 15, 1868.

SIR: In obedience to your instructions of 13th June, addressed to Hon. J. S. Rollins and myself, requiring us to examine and report specifically as to the condition of the Union Pacific Railroad where it has been constructed or surveyed, the degree of permanance in its structures, and where temporary timber structures have been adopted, what assurances have been given that they will be substantially rebuilt and other omissions supplied, together with our opinion as to what, if any, regulations are required to protect the public interest and to secure the construction of a "first-class railroad" in all respects, the undersigned (Mr. Rollins having been prevented from accompanying the party) * has now the honor to report as follows:

Having before been invited by the chief engineer, General G. M. Dodge, to accompany him on a reconnaissance over the line of surveys, I joined his party at Omaha on the 26th of June. The president of the company, Oliver Ames, esq., who also accompanied us to end of track, then 660 miles out, kindly provided an extra train, which, stopping at every station and at the important points, afforded every facility for examining the work. From the end of track to Salt Lake, 400 miles, I passed on horseback along the line of final location, just then completed.

LOCATION.

As a basis for "a first-class railroad" required by the law, a proper location is important. The grades and curvature on the respective divisions should be adapted generally to the topography of the country, departing from a level and from a direct line as little as this will permit with reasonable cost.

The level plain of the Platte carries the road with moderate grades and excellent alignment to the eastern base of the mountains, 526 miles; thence to the basin of Salt Lake, at the mouth of Weber Cañon, about 500 miles, the mountainous district is encountered. The principal mountain ranges running transversely with the road are (1) the Black Hills range; (2) the Rattlesnake range; (3) the Continental Divide, or watershed; (4) the Bitter Creek Summit; (5) the eastern rim of Salt Lake Basin, and (6) the Wahsatch range, separated from the rim only by Bear River Valley. The entire drainage of this mountainous section between the Black Hills and the rim of the Utah Basin, except as it sinks in the intermediate dry basins, passes by lateral valleys into the two main rivers, the North Fork of the Platte flowing first northwardly and thence east to the Missouri, and Green River running southward to the Colorado of the Pacific. Minor valleys are, of course, found, leading the drainage from the ranges into these and in rivers in an easterly and westerly direction, and the engineers have been fortunate in finding through these several lateral valleys, as the Bitter Creek and Black's Fork, for instance, a very favorable route for the railroad. The granite formation which, owing to its imperishable character, generally presents a more precipitous and cliff-like surface, is of limited extent on this route, occurring on the entire line only at the Black Hills range for the distance of about 20 miles, and at the western base of the Wahsatch for 3 miles. The whole line between is in the sedimentary formation, and the sandstone, everywhere predominant, is generally of the most perishable character. The natural action of the elements through the ages of the past on the more elevated ranges has disintegrated this sandstone, filling with the *débris* the valleys and plains between, thus gradually lessening with the lapse of time the difference of elevation and moderating the slopes.

As a result of these favoring characteristics in mountain formation, the company's locating engineers, under the direction of their chief engineer, have been enabled to find a more favorable route than was supposed possible, either by Congress or the company, at the initiation of the enterprise. The advantage, however, has been attained only by extensive surveys continued at large cost through four or five years. The company, by incurring the expense of thorough examination, has promoted not only the public interest, but its own.

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* Mr. Rollins afterward made a personal inspection as far as the road was then opened, and will unite in a joint report on that division, or give his views separately.

There are five short tunnels on the route, as follows:

	Feet.
No. 1. Made necessary by a sharp point on Mary's Creek, 9 miles east of North Fork of the Platte (second crossing)	164
No. 2. Through a projecting point on Sulphur Creek, east of Bear River	140
No. 3. On the summit of Wahsatch range, at the head of Echo Cañon	830
Nos. 4 and 5. In the narrows of Weber River, 400 feet and 300 feet, respectively	700
Total tunneling on the whole line	1,834

A profile of the entire line as now finally located from the Missouri River to Salt Lake Valley, about 1,020* miles, is hereto attached. As the scale is necessarily small, I mark on the profile in figures, for more satisfactory reference, the ruling grades and also the elevation above the sea. It may be found interesting, as showing the elevation of that part of the continent. The total ascent to be overcome by a train going west between the Missouri high bridge and Salt Lake Valley, including the elevation lost by intermediate undulations, is 12,100 feet, and by a train going east 8,570 feet.

It will be observed that the steepest grade is 90 feet per mile, and this was found necessary only on the two main mountain ranges, the Black Hills and the Wahsatch. The shortest curvature is 6 degrees on each 100 feet, or 955 feet radius.

After the location on the Wahsatch range had been made by the locating engineer, with approval of chief engineer of the company, further examinations were ordered by the vice-president with a view to cheapening and hastening the line on the western slope, using grades of 110 and 116 feet per mile. I earnestly remonstrated against a ruling grade exceeding 90 feet, for reasons stated in the paper marked "A." I trust the change may not be made.

On the location adopted, a train of cars once on the summit of the Wahsatch range will meet no ascending grade higher than 60 feet per mile, thence to the western base of the Black Hills. And so, on the trip westward an ascending grade of 66 feet per mile is the highest to be overcome from the summit of the Black Hills to Salt Lake Valley, and probably to the Humboldt; excepting on the eastern slope of Rattlesnake range, 60 feet grade is the highest going west. This grade should be reduced to 80 feet hereafter.

CONSTRUCTION.

Road-bed.—I find probably seven-eighths of the road-bed formed by embankment and one-eighth in cutting. This lessens the frequency of interruptions by snow. On the first 375 miles in the valley of the Platte the grade was laid in many places quite too low. For one-third of this distance it should hereafter be raised from 1 to 2 feet. The grade here was also made of very limited width, not exceeding 11 or 12 feet, giving insufficient base for the ballast. After reaching Lodge Pole Creek more judicious counsels prevailed, and the road located and grades fixed more in conformity with sound engineering principles. Thence to Salt Lake the road-bed generally is so raised as to guard well against snow-drifts, and, with few exceptions, is 14 feet wide at the grade line, which is the proper width. In the mountainous district, however, especially between Fort Bridger and Salt Lake Valley, snow-drifts may be a fruitful source of delays, and the needful protection against the filling of the cuts will require a large expenditure. Probably eight-tenths of the embankments on the whole line are made with plow and scraper, a mode which consolidates the road-bed more effectually than any other.

Cross-ties.—The want of timber suitable for ties, especially on the plains, was from the first a source of anxiety to those desiring a substantial track. Hard wood and cottonwood ties were floated down the Missouri River, perhaps in the proportion of 3 to 10, the former being placed under the joints and center of the rails. It was part of the plan to burnetize all the soft wood, and at first this was carried out. But afterwards, with the quickened speed of track-laying, averaging then 2 miles per day, I presume but a small proportion, probably one-third the cottonwood ties, were burnetized. Without this process they only last 3 to 4 years. Contracts have recently been made for the delivery at Omaha of ties of a better quality, equivalent to the relaying of 100 miles of track, to be distributed in the Platte Valley. On the Lodge Pole division a small proportion of cedar ties were laid, and after reaching the Black Hills and thence to Salt Lake the mountain pine is used wholly, which, though better than cottonwood, is not so lasting as oak. For the first 530 miles 2,400 ties per mile were laid; thence for a short distance on the mountain grade, where heavy engines are used, 2,640; but generally from Laramie westward about 2,500 per mile are in the track. From North Fork of the Platte to Rawlings Springs, 17 miles, I noticed that 2,640 ties per mile have been laid. They are 8 feet long, 6 inches thick, and about the usual width for new roads.

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* This distance may vary slightly, as the final report of length is not yet received.

Iron rails.—The rails have been manufactured chiefly at Johnstown, Scranton, Danville, and Allentown, Pa. A rail weighing 50 pounds per yard, with the common wrought-iron chair, was laid for the first 440 miles. West of that point the rail weighs 56 pounds and is held by the fish-bar plate instead of the chair—a method now generally approved.

Track-laying.—The unexampled rapidity with which the company has laid the track—often 3 miles per day, averaging through the season 50 miles per month—suggests the fear of imperfect work. We find, however, that a large force, acting with complete system, under one competent head, regardless of cost, forms the ground-work of this speed. Taking the whole line in view, the trains pass over it more smoothly and with as high speed as on any new road over which I have traveled. To this result the limited amount of rain in this region no doubt materially contributes. A statement of depth of rain at Fort Bridger (I have not included) for one year is appended, marked C. On curved line time was not taken to bend the iron rails to suit the curve. This defect must be hereafter corrected.

Ballasting.—In this dry soil less ballasting—perhaps two-thirds of the depth required in the States between the Mississippi River and Alleghany Mountains—will form a perfect road-bed. But even here a road cannot rank as complete without sufficient ballast.

Excepting in the very sandy and gravelly sections along the Lodge Pole, on the Black Hills and Laramie Plains, amounting perhaps to one-fourth of the line, ballast brought by trains will be required in bringing up the track to the proper degree of smoothness and stability, meeting fully the end of its constructions. Very little ballasting has yet been performed. This is necessarily a work to be done after the track is laid and one of gradual progress.

Bridges and culverts.—On the first 15 miles from the Missouri River, where stone of good quality was obtainable within 2 or 3 miles, and while the work was progressing slowly all culverts and drains were built of stone masonry. Thence West, except on the Black Hills, the small streams and land-drains are crossed by wooden trestles, with few exceptions. Some of these trestles nearest to Omaha, in which cottonwood was used in the bent frame, have been rebuilt with pine posts and caps resting on piles, and are thus more permanent than at first.

The three larger streams first crossed, the Main and West Pappillon, and the Elkhorn, were in the first construction built with stone abutments and the common Howe truss bridge of wood, uncovered. The two first-named streams have each 100 feet span and the latter 150 feet, with some 800 feet wooden trestle on the bottom for water way. The abutments at Elkhorn, chiefly from defective foundation, show signs of failure and are being rebuilt.

Shell Creek, Silver Creek, and Prairie Creek, next crossing the line, have trestle bridges on piles.

Loupe Fork, 94 miles from Omaha, one of the larger streams, having more destructive ice-floods than any other, is crossed by a Howe truss bridge, 1,500 feet long, in spans of 150 feet, resting on stone piers with pile foundations. For greater water way two spans of Howe truss, 100 feet each, have been added across high-water channel on the bottom since the opening of the road. The pier masonry is very good and stone durable. But the main bridge should be raised 2 or 3 feet for entire security against ice-floods.

Wood River, a little east of Kearney, is crossed by a Howe truss, 100-feet span, uncovered, on timber trestles.

North Platte Bridge, 2,300* feet long, is formed with temporary pile bents and spans of 16 feet, each bent having cedar piles capped at the level of the grade, some 10 feet above low water, with pine caps and a pile brace at each end of the bent bolted to it at top. Highest rise of river only 4 or 5 feet. This river is not generally subject to ice-floods, nor is there any driftwood. In the spring of 1867 the ice did, however, take out two bents. Such a structure is, of course, too unreliable for a road so important as this; and having served the temporary purpose designed—the carrying forward of materials—it should be replaced by a permanent bridge of longer spans resting on stone abutments before the road is fully accepted by the Government. This is the most necessary, for the reason that in high water the river can neither be ferried or forded with teams.

Lodge Pole Creek is crossed three times, and in each case on a pile trestle bridge in spans of 16 feet.

Crow Creek, at Cheyenne, is spanned by a Howe truss bridge of 100 feet, resting at each end on timber bents, now being replaced by abutments of granite.

Dale Creek, on western slope of Black Hills range, running in a granite gorge 120 feet deep and near 600 feet wide at grade line, is crossed by a pine timber trestle bridge of 40 feet spans, with double bents resting on piers of granite masonry raised only to a small height. The roadway is sustained by a low truss frame, resting on these bents. The structure is in part of mountain pine, but chiefly of the better pine from Chicago. It is exposed to decay, and especially to fire. It cost, as I was told by the president of the company, about $200,000. When it shall decay permanence should be given either by filling the gorge with earth and rock or by an iron bridge resting on stone piers.

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*The figures and statement relating to the structure, tracks, &c., in this report, so far as I could not personally examine in detail, were, of course, furnished by the superintendent and engineer in charge. To these gentlemen I am much indebted for their free communication of facts.

Big and Little Laramie Rivers are both crossed temporarily by pile trestle bridges, 16 feet spans.

Rock Creek is crossed by a Howe truss bridge on stone abutments, built before the opening of the road.

Medicine Bow River, crossed by pile trestle bridge, as at Big and Little Laramie. These are mountain streams, and with the temporary structures the road will be unsafe. In each case I am informed that Howe truss bridges with two spans 100 feet each are under contract.

North Fork of Platte (second crossing), as also Green River farther west, are temporarily crossed by trestle bridges of 16 feet spans. These rivers head in the high mountains, having a great fall and rapid current when high. Such structures would be manifestly unsafe on these rivers. It is to be presumed that the company will build in each case a substantial bridge on stone abutments before the floods of next spring. Such is their purpose.

In descending May's Creek Valley, leading from Rattlesnake Summit to North Platte, I noticed this stream had been crossed four or five times without any culvert or opening, relying upon the passage of the floods through interstices in the loose sand-rock embankment. This may answer for one or two years, but unquestionably culverts must be built here. In other places I found a tendency to embank temporarily across small drains, without taking the time now to build openings. I have reason to believe that this practice, resulting from the hurry, has been abandoned.

I should add, in justice to the constructing engineers, that time has scarcely been allowed to acquire that knowledge of the water-courses essential to judicious plans in all cases. I am aware that there is far less falling water here than in the States east of the Missouri. Yet even here at times there are floods which must be fully provided for or the road interrupted.

EQUIPMENT.

Rolling-stock.—A statement of the general superintendent was handed me giving the number and description of the rolling-stock in the possession of the company on the 1st of August, among which are 111 locomotives. The locomotives, in weight, range from 25 to 35 tons, the latter class used on the mountain grades. They have been furnished by builders of good reputation, and are no doubt equal to the machinery on our best roads. They are chiefly used at this time in transporting iron and material for the construction, which service, as the road lengthens, will require yet further additions to the rolling-stock. On the completion of this constant and wearing construction service many of these locomotives will require extensive and costly repairs, forming a material item of expense.

The company has also about 1,700 cars. The larger portion of these are platform or flat cars, used in the transportation of iron and ties between Chicago and end of track. They will be perhaps half worn out in this service. When the road is open for through business to the Pacific, large additions to the passenger-car stock, with more passenger locomotives, will be immediately required, as this and light and valuable freight will form a large business.

Repair shops.—On the first 710 miles the principal shops are at Omaha, North Platte, Cheyenne, near eastern base of Black Hills, and Laramie, near western base, each having an engine-house with 20 stalls finished; one at Rawlings Springs in course of erection, with 10 stalls, and 3 intermediate engine-houses at Grand Island, Sidney, and Medicine Bow River of 10 stalls each. At each main point there are the usual machine shops and other buildings. At the two mountain stations the buildings are of stone, and the others of brick with stone foundations, all having fire-proof roofs, mostly of tin. Up to this time engine-houses and machine-shops are built only to meet the present wants of the road, but are so planned as to be enlarged. The plans appear judicious and the construction substantial.

Station buildings.—On the first 710 miles there are fifty-one stations, provided with water-tanks and station buildings. The average distance apart is about 14 miles. Side tracks, generally 3,000 feet long, are provided at each station, with an occasional intermediate siding of 1,500 feet, amounting in all to nearly 6 per cent. of the length of the main line. Of the station buildings about three-fourths are of the smaller class, 25 feet by 40 feet, and one-fourth 50 per cent. larger. In a few instances freight houses are built. Also eight or ten substantial coal houses, with stone foundations, at the proper stations to take fuel. All these buildings are wood, and all except the coal houses are painted with metallic paint and roofed with shingles. At North Fork, Cheyenne, and Laramie suitable hotels have been erected or are in process of erection. The station buildings generally, where proper hotels are erected, will be sufficient.

The building of the Union Pacific Railroad, passing for over a thousand miles through an uninhabited portion of the continent, is an enterprise attracting general attention. It would not have been planned or accomplished by any other than a vigorous and advancing people. The rapid progress made by the company under the circumstances, their vast grading force living in tents and hauling supplies 100 to 200 miles in advance of the track, is to many persons marvelous, while it receives the commendation of all. It is in accordance with the genius of our people.

The temper of our times is unfavorable to slow movements. On the other hand, those who have responsibilities for the completeness of the work have felt concern lest its rapid progress should impair its substantial character

It has therefore been the object of the undersigned to lay before the Department a description, very much in detail, of the manner in which the work is being constructed in every particular.

One feature unfavorable to the permanence and safety of the road is the almost entire want of stone masonry in bridges and culverts.

It is true that many of the new railroads in the Western States having limited means are in their first construction carried over small streams with wooden trestles, relying upon the contingency of future means from income or other sources to complete the road. But in respect to this national work so liberally aided by the Government it is but a reasonable expectation and in accordance with the spirit of the law that permanent masonry in bridges and culverts should form part of the original construction.

But here arises a practical difficulty. In very few instances is stone of a durable character found within hauling distance of the bridge and culvert sites. Nine-tenths of the stone for this masonry, east of the Wahsatch, must be brought by rail. The company, therefore, seem to be shut up to the necessity of first placing their Howe truss bridges on temporary wooden trestles, or the still less permanent plan of trestle bridges entire.

In their great haste the wooden trestle, with spans of 16 feet, has been almost everywhere adopted, even across large rivers. In most cases the trestle bent is formed by driving piles of the soft mountain pine, capped at the grade line. The string pieces are of the better pine, brought from Chicago. The want of stone in some cases and of time in others has induced also the crossing of most of the smaller streams and land drains, and sometimes dry valleys, on temporary trestles instead of masonry culverts and drains with earth roadway. The same general plan of crossing the drainage of the country, large and small, will be followed, as I understand, to Salt Lake Valley.

In the Weber Valley, however, where good building stone are abundant, I trust that stone drains and masonry in bridge abutments may be built in advance of the track.

This necessity, in most cases, under the rapid progress, I have freely admitted to the members of the board and the constructing engineers who accompanied us, insisting at the same time that a masonry force, with construction trains to bring stone from distant quarries, of durable character, should follow the track-laying partly as the grading force precedes it. The president of the company renewed to me, on the line, the assurance before given by members of the board in New York, that this masonry, with earth embankments, should be substituted as soon as practicable. On a railroad so important as this, passing for 800 miles through a region likely to remain without settlements on its line, every occasion of interruptions to its trains not inherent in the railroad system should be avoided. In this extremely dry region, with high winds, such an extent of timber trestle bridging exposes to hazard more than in the States further east, on account of more frequent fires.

On the first division of 100 miles east of the Black Hill range all the culverts, drains, and bridges abutments to the amount of 169 were in June last placed under contract and the stone work commenced. But on my return from Salt Lake over this division I found little progress, for want of rolling-stock. The transportation of iron and other material for laying track at the rate of 60 miles per month over the increasing length of road, now 800 miles, so employs the entire rolling-stock as to render it probable that the building of the masonry over the entire road will be chiefly postponed until next year, and after the opening and acceptance of the whole work.

The same assurance as to more permanent structures has probably been given in like good faith to the commissioners on the acceptance of the several sections, although upon this point we have no definite information. However this may be, yet, from the nature of the case, this may hereafter depend, not upon proper intentions but upon the company's means. For although the gentlemen now owning the road might be relied upon to add fresh money from their own resources to the extent needed, yet in the frequent changes of railroad property the control may speedily pass to others, and the question between appropriating surplus earnings to this work of full completion or to dividends will be decided by new parties who, at the time, may chance to control a majority of the stock.

The cost of these permanent masonry structures and earth embankments, completing tunnels, deep cuts, or other grades, with additional rolling-stock, shops, tools, water supply in the dry desert, &c., required on the first opening for through traffic, should, it seems to me, be paid out of the Government subsidy rather than thrown upon the less certain reliance of a surplus income, laying thus a foundation for higher charges on the commerce of the country. The cost of these items on the first 1,020 miles to Salt Lake Valley I think will reach about $3,000,000.

While the ballasting, perfecting of the track, additional sidings, the general renewal of ties, protection against snow drifts, and future improvements and enlargement of equipment, may perhaps be left to the regular growth toward a complete and satisfactory work, as on other railroads, yet the items I have enumerated evidently belong to the original construction of a "first-class road," and should be done during the first year after the opening of the road.

I have thought it my duty as one of the Government directors to urge upon the board the setting apart of a "reserve fund" sufficient to meet this cost, so that the work of completion and full equipment might progress without intermission and without resort to new finanacial arrangements. This completion and equipment fund being held for the benefit of the road and its stockholders, and applicable only to this essential work, would greatly strengthen the securities of the road. I am not advised whether any such measure is in contemplation, nor is it for me to judge whether, under the law, there is authority reserved to the Government to withhold for this object any portion of the subsidy in case this should be necessary to meet the end in view.

It has seemed to me that in order to carry this work over the dead point generally felt in all newly-opened roads, when the construction fund fails and before the traffic can be diverted to a new channel, the Government subsidies to this amount, instead of being added to the profits of building the road, should be devoted to perfecting and sustaining the work at its first opening. The interest of the stockholders, no less than that of the Government and of commerce, would be thus promoted. The annexed copy of a letter to the president of the company, marked B, will further explain.

In the light of this whole subject, I cannot forbear to suggest, though not strictly within the scope of this communication, that if the Government should see proper to aid other lines across our unoccupied domain by similar subsidies or loans of credit, only a portion of such aid, say four-fifths, should by law be payable when the track is open for the running of trains, and the remainder one or two years afterward, or when on the judgment of a board of experienced railroad engineers or superintendents the work shall have been brought up to the standard of a "first-class road."

If we aim at securing across the continent the commerce of the world, we must provide not merely a through route over which trains can pass, but a railroad that in degree of completeness, perfection of management, and certainty of transit shall invite that commerce.

As the Union Pacific Railroad is of national importance, and to become a route of through travel and traffic for generations to come, it may be well, now that it is finally located, to notice the natural resources for operating and maintaining the work in the region through which it passes.

(1) *As to fuel.*—Coal is the only resource. Fortunately the coal-field west of the Black Hills Range is extensive, covering almost the entire distance thence to Salt Lake Valley. This coal may be classed as lignite. It is found to answer well for locomotives. At the eastern base of this range the Denver coal will become available through that branch of railroad, while the Platte Valley division can be supplied from Iowa. Along the Platte and Lodge Pole Valleys no coal has been discovered.

(2) *As to water.*—From the Missouri River to the west side of the Salt Lake Valley water suitable for locomotives is readily obtained at all points, with the exception of the "dry desert," extending from Rawlings Springs to a point near Green River, near 100 miles, embracing the divide of the continent. Here the company had not yet, up to the time of my return, grappled with this vital question of water supply, but were laying the track by hauling water-tank trains. This presents an important question, and may involve a large future expenditure. Except along Bitter Creek, the waters of which for half the year are supposed to be too strongly impregnated with alkali for this use, no indications of sufficient water for an important railroad were noticed. The grading contractors generally hauled water for their teams from two to five miles, and on one or two sections ten miles, as we were told. Practicability of procuring water by deep borings through the sandstone and coal should first be tried. If this fail, there is a possibility of storing up the spring floods in reservoirs if suitable localities can be found free from alkali.

There is yet a third expedient—that of laying pipes from springs found in the mountain spurs situated south towards the overland stage route.

(3) *As to cross-ties.*—The Platte Valley for the first 300 miles can be furnished more readily from the Missouri River and the lake region; thence to the Humboldt Valley, 1,000 miles, the small growth of mountain pine, such as has been used in the construction, is the only timber. This grows only in the cañons on northern exposures, where the drifting snows accumulate to a great depth, and melt more gradually, giving continued moisture to the mountain soil. The northern slopes of the Snowy range, and the Medicine Bow Mountains to the south, extending parallel with the road for perhaps 80 miles, the Wind River Mountains on the north, the Uintah range on the south, with the Wahsatch range, surrounding Salt Lake Valley, will furnish ties for many years. They can in most cases be floated to the road by the mountain streams crossing its track.

(4) *As to ballast.*—Along the Platte and Lodge Pole Valleys gravel and sand for ballasting can be readily obtained. The decomposed granite found in great abundance on the Black Hills and Laramie Plains furnishes superior ballast. Thence to the rim of the Utah basin no gravel banks were observed, though by the use of sandy material or broken stone the road can be ballasted. Along the Weber River, and in Salt Lake Valley, coarse gravel abounds.

(5) *Rerolling Rails.*—The common iron rail wears very rapidly. Its rerolling has come to be an item of large expense on all American roads of heavy traffic. Inasmuch as the business of this road consists rather of passengers and the lighter but higher paying freight, the wear of rails will be less. Yet with its steep grades on the mountain slopes and not very heavy rail the railroad company will find it necessary to establish rolling mills on its line within a few years. A mill at the eastern base of the Black Hills, using the Denver coal (if found adapted to the working of iron), another in Salt Lake Valley, for which the coal of Weber Valley is convenient, with a third mill intermediate, ultimately would bring the entire track within reasonable haul, except on the lower part of the Platte Valley, which may find a rolling mill on the Missouri, where so many railroads concentrate.

Respectfully submitted.

J. L. WILLIAMS,
Government Director Union Pacific Railroad.

Hon. O. H. BROWNING,
Secretary of the Interior.

A.—*Copy of telegram to Oliver Ames, president Union Pacific Railroad.*

OMAHA, *August* 6, 1868.

The undersigned, one of the Government directors and member of locating committee, respectfully but earnestly remonstrates against any change of final location on Wahsatch range, as made by J. Blickensdefer, locating engineer, and approved by chief engineer, which shall increase grades over ninety feet per mile. Having examined the ground, I know this maximum to be feasible, at reasonable cost, and that it need not delay your rapid track laying. Ninety feet maximum grade being adapted to the general slope of the Wahsatch, and being the ruling grade from Missouri River to the Sierra Nevada, to exceed it here would materially impair the efficiency of this continental road, injure both its stockholders and the commercial interest, and increase the hazard of travel over this Snowy range, with only a paltry advantage to the contracting company. If there exists a purpose of increasing this grade, I trust it will be abandoned.

J. L. WILLIAMS.

B.

END OF TRACK, *July* 1, 1868.

DEAR SIR: I beg leave to submit for your examination the inclosed paper explanatory of the suggestion of a "reserve fund." If not the best, it may lead to a more feasible scheme.

That there is a practical difficulty in the case all must admit. Your very rapid progress with the track, without waiting, in all cases, to build permanent work, is for the interest of both the company and the country, and should be encouraged. But on the other hand, those representing the Government may well hesitate to sanction the delivery of the entire subsidy, liberal as it certainly is, for the whole extent of the road while the work is in so incomplete a state as it must necessarily be, when each successive 20-mile section is presented for inspection.

It is unnecessary to remind you of the large expenditure required on any new road just opened, in the way of improvement, enlargement, and equipment, before its facilities are adequate to earn, at reasonable rates, the large sum per mile, which we all expect from the Union Pacific Railroad.

I respectfully ask of you a careful consideration of this subject, that the true interest, both of the company and the Government, which it seems to me do not conflict, may be secured.

I should add that if the control of the work would certainly remain in the hands of the very respectable and wealthy gentlemen now holding the stock, no such precaution might be necessary, for they would put in fresh money as needed to make an efficient road.

But in the ever changing contiol of such works, this is not probable.

Very truly,

J. L. WILLIAMS,
Government Director.

OLIVER AMES, Esq.,
President U. P. R. R.

C.—*Fall of rain (snow not included) at Fort Bridger, Utah Territory, for the year ending June 30, 1868, as furnished by Dr. Waters, surgeon of the fort.*

	Inches.
July, 1867	0. 08
August, 1867	0. 42
September, 1867	0. 45
October, 1867. (None.)	
November, 1867. (Slight rain; not measurable.)	
December, 1867	1. 27
January, 1868	0. 03
February, 1868. (None.)	
March, 1868. (None.)	
April, 1868	0. 16
May, 1868	1. 84
June, 1868	0. 03
Total yearly fall	4. 28

NOTE.—Had the water contained in the several falls of snow during the year been also measured this statement would have been more satisfactory.—J. L. W.

REPORT OF THE GOVERNMENT DIRECTOR, SEPTEMBER 9, 1868.

FORT WAYNE, IND., *September* 9, 1868.

SIR: At a recent meeting of the Union Pacific Railroad board the subject of setting apart a reserve fund out of the Government subsidy for permanent structures, full equipment, &c., was fully presented to their notice by the Government directors. After careful consideration, the resolution hereto annexed, marked A, was adopted, setting apart in trust $3,000,000 in first-mortgage bonds, to be reserved out of the final sections of the road, or say the last 100 miles built by this company. The plan embodied in this resolution, if carried out in its spirit and according to the intention of the board, will meet substantially the objects brought to view in my several reports to the Department of 16th June, 2d July, and 15th August last. This reserve fund, applied as above indicated on the sections previously accepted to items evidently belonging to the original construction, will give assurance of more permanent and satisfactory completion, fitting this great work the better for the large travel and traffic to be turned upon it immediately on the meeting of the two companies with their track-laying parties west of Salt Lake.

In the report which I had the honor to submit under date of 15th August reference was made to an order of the vice-president looking to increasing the maximum grade fixed by the locating engineers on the Wahsatch range to 116 feet per mile. I take pleasure in stating that the change was not made. Now that the final location is settled, it should be stated to the credit of the company that although 116 feet per mile was permitted in the law (under a mistaken view by Congress of the character of the mountain section), yet 99 feet per mile has been adhered to as the maximum, though in some places involving an increased cost of grading.

Referring again to my report of the 15th ultimo, giving the condition of the road up to 1st August, I beg leave now to add this supplemental statement founded on later information:

1st. The president of the company, by letter of 4th instant, says: Twenty-one additional locomotives of the very best class have been ordered, and will be placed on the road this fall. These added to the number reported up to 1st August (111) will give a total number of 132. Of these locomotives 57 have been put on the road during this season. From the high reputation of the builders, as well as the general appearance of the machinery on the road, I concur with the president in the opinion that the company are procuring the very best machinery. The same remark will apply to the machinery of the shops.

2d. The president further states that about thirty trestle bridges had been replaced with stone culverts up to that date; that a large force of masons are now at work, and that they will have seventy-five to one hundred of these masonry structures completed by the beginning of winter.

The Government directors believe that generally where essential work in construction or equipment has been passed over or deferred, this has resulted rather from the intense concentration of effort on the one great object of extending the track westward in a shape to pass trains and open the road for use.

They do not doubt that under the provision now made for a trust fund such omissions will be supplied and the work brought up to a proper standard within a reasonable time after this company and the Central Pacific Company shall have met with their respective lines of construction.

With high respect, your obedient servant,

J. L. WILLIAMS,
Government Director.

Hon. O. H. BROWNING,
Secretary Interior.

At a meeting of the board of directors of the Union Pacific Railroad Company, held at the office of the company, No. 20 Nassau street, New York, on the 2d day of September, 1868, the following preamble and resolution was adopted, viz:

Whereas it is the policy of this board to complete in a permanent manner and equip the work as a first-class road in accordance with the reasonable and practicable interpretation of the Union Pacific Railroad act: Therefore,

Resolved, That three millions of first-mortgage bonds be put at the disposal of the executive committee to be put by them in trust for such an equipment and completion of the road, and that the said three millions be reserved from the bonds authorized by law to be issued on the final sections of the road, and that from these three millions thus reserved there be deducted from time to time such expenditures as may have been made for equipment, completion, stone culverts, and permanent bridges of said road.

A true copy. Attest:

HENRY B. HAMMOND, *Secretary*.

REPORT OF GOVERNMENT DIRECTORS, OCTOBER 28, 1868.

OFFICE UNION PACIFIC RAILROAD COMPANY,
New York, October 28, 1868.

SIR: In pursuance of your letter dated October 7, 1868, making it the duty of the directors on the part of the Government in the Union Pacific Railroad Company to obtain from the office here, and report certain information relating to this work, the undersigned met at this office on the 17th instant. As the proper mode of obtaining the facts required in an authentic shape, a letter was addressed to the president of the company, inclosing a copy in full of your letter referred to with the interrogatories, as hereto appended, marked A.

The president of the company has handed to us an answer to the several interrogatories, which is hereto annexed, marked B. It has been delayed from the necessity of awaiting reports from the Omaha office, needed to bring up the statement to so late a period as 30th September.

The ordinary duties of the Government directors are, of course, not such as to make them familiar with the books of the office. It may be proper, however, to say in explanation of the answer to the fifth interrogatory, that the amonnt received from freight, as we are informed, includes the freighting charges paid the railroad company by the contractors for running out the iron and other material and supplies used in construction.

Respectfully submitted.

J. L. WILLIAMS,
GEO. ASHMAN,
JAMES S. ROLLINS,
JAMES BROOKS,
SAM'L McKEE,
Government Directors.

A.

OFFICE OF UNION PACIFIC RAILROAD,
New York, October 17, 1868.

DEAR SIR: The honorable Secretary of the Interior, under authority of the thirteenth section of the amendatory act, requires of the undersigned a full and explicit answer to each of the several interrogatories respecting the condition, management, and profits of the Union Pacific Railroad contained in his letter of instructions hereto appended, dated October 7, 1868.

As this information can only be furnished from the books, papers, and accounts of the office in charge of the proper executive officers under your control, we respectfully request of you full and specific answers to these inquiries, to the end that we may report them to the Department at the earliest day practicable.

Very respectfully,

J. L. WILLIAMS,
JAS. BROOKS,
S. McKEE,
Government Directors.

OLIVER AMES, Esq.,
President Union Pacific Railroad.

DEPARTMENT OF THE INTERIOR,
Washington, D. C., October 7, 1868.

GENTLEMEN: The thirteenth section of an act entitled "An act to amend an act entitled 'An act to aid in the construction of a railroad and telegraph line from the Missouri River to the Pacific Ocean, and to secure to the Government the use of the same for postal, military, and other purposes,' approved July 1, 1862," approved July 2, 1864 (13 Stat., 361), provides that the Government directors of the Union Pacific Railroad Company shall, from time to time, report to the Secretary of the Interior in answer to any inquiry he may make to them touching the condition, management, and progress of this work, and shall communicate to him at any time such information as should be in possession of the Department.

I am of opinion a full and explicit answer to each of the subjoined interrogatories will embody information which should be in possession of this Department, and have therefore to request that you meet at 11 a. m., on the 17th instant, in the office of said company in the city of New York, and at as early a period thereafter as practicable submit to me a report setting forth such information:

(1) The names of the stockholders and their places of residence.

(2) The names and residences of directors and all other officers of said company.

(3) The amount of stock subscribed and the amount thereof actually paid in.

(4) The amount received during the year ending the 30th ultimo from passengers, and what part thereof was paid by the United States.

(5) The amount received during the same period for freight thereon, and what part thereof was paid by the United States.

(6) The amount paid during said year, and for each preceding year, for the construction and equipment of said road, and to whom paid.

(7) The amount of indebtedness of said company and when created, setting forth specifically the various kinds thereof.

(8) The expense incurred each year ending September 30 running said road.

(9) The amount of dividends declared. The amount actually paid out, and when so declared and actually paid, and the sources from which such dividends were derived.

Very respectfully, your obedient servant,

O. H. BROWNING,
Secretary.

The GOVERNMENT DIRECTORS, UNION PACIFIC RAILROAD COMPANY.

B.

NEW YORK, *October* 20, 1868.

GENTLEMEN: Your communication of October 17, asking full and explicit answers to interrogations of Secretary of Interior, herewith communicated, was duly received. As the information sought was required to embrace the operations and expenditures of this company up to the present month, we were obliged to await returns from the line of the road; you will on this account please excuse the delay of this communication, as every effort has been used to hurry up reports from our officers at Omaha and the distant operations of our road along the line of construction.

We have at all times held our books open to the inspection of our directors and especially wish to afford every desired facility to the Government directors to examine our books, and have required our clerks to give you all desired information.

I now have the pleasure of submitting to you full and explicit answers to all the questions propounded by your letter, as far as we are able to arrive at them from our books, and believe that they are as accurate as it is possible to obtain them.

If any additional information is desired, not embraced in these answers, we shall be very happy to give it you as afforded by the books or records of this company.

Very respectfully, your obedient servant,

OLIVER AMES,
President Union Pacific Railroad Company.

To GOVERNMENT DIRECTORS OF UNION PACIFIC RAILROAD.

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(1) *The names of the stockholders and their places of residence.*

Names.	Residence.	Names.	Residence.
Alley, John B.	Boston, Mass.	Baines, O. W.	Philadelphia, Pa.
Ames, Oakes	Do.	Bates, Benj. E.	Boston, Mass.
Ames, Oliver	Do.	Bates, Benj. E., trustee and treasurer.	New York, N. Y.
Andrews, Frank W.	Do.		
Atkins, Elisha	Do.	Bates, Benj. E., trustee for Miss L. E. Nourse.	Boston, Mass.
Baker, Ezra H.	Do.		
Baker, Ezra H., jr.	Do.	Beard, Eli	New Haven, Conn.
Bardwell, Josiah	Do.	Beard, Sylvester M.	Do.
Bardwell, Josiah, trustee	Do.	Bell, Clark	New York, N. Y.

(1) *The names of the stockholders and their places of residence*—Continued.

Names.	Residence.	Names.	Residence.
Blood, Henry	New York, N. Y.	Hooper, Samuel, & Co	Boston, Mass.
Boyer, B. M	Norristown, Pa.	Horner, Anna	Newport, R. I.
Boyer, B. M., trustee for Mrs. B. Wm. Boyer	Do.	Hotchkiss, Henry	New Haven, Conn.
		Hough, Benjamin	Boston, Mass.
Bradford, Gamaliel	Boston, Mass.	Jenks, Barton H	Philadelphia, Pa.
Bristol, Wm. B	New Haven, Conn.	Johnston, James B.	New York, N. Y.
Bushnell, C. S	Do.	Jones, David	Do.
Chapman, O. S	Canton, Mass.	Jordan, R. S	Boston, Mass.
Charlick, Oliver	New York, N. Y.	Kennedy, George W	Do.
Cisco, John I	Do.	King, John L	Springfield, Mass.
Cook, Clarissa C	Davenport, Iowa.	Koutz, Augustus	Omaha, Nebr.
Cook, Ebenezer	Do.	Lambard, C. A	Boston, Mass.
Crane, H. C	New York, N. Y.	Lockwood, Le Grand	New York, N. Y.
Crane, H. C., trustee	Do.	Low, Abiel A	Do.
Crane, H. C., trustee for W. D. Train.	Do.	Macy, William H	Do.
		McComb, H. S	Wilmington, Del.
Crane, I. I	Do.	McCormick, C. H	New York, N. Y.
Credit Mobilier of America.	Philadelphia, Pa.	McCormick, John	Omaha, Nebr.
		McNeil, R. G. S	Philadelphia, Pa.
Cummings, Wm. A	Darien, Conn.	McPherson, William F	Omaha, Nebr.
Davies, John M	New Haven, Conn.	Martin, Henry	New York, N. Y.
Dillon, Sidney	New York, N. Y.	Moore, E. C	Do.
Dodge, Mrs. Anna	Council Bluffs, Iowa.	Myer, E. Reed	Philadelphia, Pa.
Duff, John	Boston, Mass.	Neilson, Charles H	New York, N. Y.
Duff, John Robertson	Do.	Nickerson, Frederick	Boston, Mass.
Durant, Wm. F	New York, N. Y.	Nickerson, Joseph	Do.
Durant, Thos. C	Do.	Nickerson, Thomas	Do.
Emerson, Charles	Do.	Opdyke, George	New York, N. Y.
Eustis, Wm. F., trustee	Boston, Mass.	Peck, Nathan	New Haven, Conn.
Fessenden, Sewall H	Do.	Pigot, Joseph B	New York, N. Y.
Fisk, James, jr	New York, N. Y.	Richardson, Joseph	Do.
Forbes, W. D	Boston, Mass.	Robbins, Royal E	Boston, Mass.
Foster, Pierpont B	New Haven, Conn.	Sanford, Henry	New Haven, Conn.
French, L. Eugene	New York, N. Y.	Skinner & Co., F	Boston, Mass.
Gilbert, Horatio	Boston, Mass.	Skinner & Co., F., trustee	Do.
Gilbert, Horatio I	Do.	Smith, Q. N	New York, N. Y.
Gilmore, E. W	Do.	Stetson, T. M	New Bedford, Mass.
Glidden, Wm. T	Do.	Stevens, Wm. B., trustee	Boston, Mass.
Gray, G. G	New York, N. Y.	Swazey, W. I	Omaha, Nebr.
Gray, H. W	Do.	Thatcher, Isaac	Boston, Mass.
Grimes, James W	Davenport, Iowa.	Timpson, C. F	New York, N. Y.
Grinnell, Moses H	New York, N. Y.	Torry, Lydia	Newport, R. I.
Ham, Benjamin F	Do.	Tracy, John F	Chicago, Ill.
Hazard, Anna	Newport, R. I.	Trowbridge, Ezekiel H	New Haven, Conn.
Hazard, Elizabeth	Do.	Trowbridge, Henry	Do.
Hazard, Elizabeth, trustee	Do.	Tuttle, Charles	New York, N. Y.
Hazard, I. P	Do.	Vernon, Sophia	Newport, R. I.
Hazard, Mary P	Do.	Wait, C. C	New York, N. Y.
Hazard, R	Do.	Williams, J. M. S	Boston, Mass.
Hazard, R. G	Peacedale, R. I.	Williams & Guion	New York, N. Y.
Hedden, I	New York, N. Y.	White, Mrs. Emily Francis	New Haven, Conn.
Hobart, Aaron, jr	Boston, Mass.	Young, Brigham	Salt Lake, Utah.
Holladay, Benjamin	New York, N. Y.		

The names and residences of the directors and all other officers of company:

Directors.—Alley, John B., Boston, Mass.; Ames, Oliver, Boston, Mass.; Bardwell, Josiah, Boston, Mass.; Bates, Benj. E., Boston, Mass.; Bushnell, C. S., New Haven, Conn.; Cisco, John I., New York, N. Y.; Crane, Henry C., New York, N. Y.; Dexter, F. Gordon, Boston, Mass.; Dillon, Sidney, New York, N. Y.; Duff, John, Boston, Mass.; Durant, Thomas C., New York, N. Y.; Lambard, Charles A., Boston, Mass.; Macy, William H., New York, N. Y.; McComb, H. S., Wilmington, Del.; Tracy, John F., Chicago, Ill.

Officers.—Oliver Ames, president, New York; Thomas C. Durant, vice-president, New York; Henry B. Hammond, secretary, New York; John I. Cisco, treasurer, New York; Charles Tuttle, assistant treasurer, New York; G. M. Dodge, chief engineer, Omaha, Nebr.; S. Seymour, consulting engineer, New York; William Snyder, superintendent, Omaha, Nebr.

(3) The amount of stock subscribed and the amount thereof actually paid in?—A. Subscriptions have been received for 132,920 shares of a par value of $100 per share, amounting to $13,292,000, on which there has been paid $13,262,300.

(4) The amount received during the year ending September 30, 1868, from passengers, and what part thereof was paid by the United States?—A. The receipts from passengers were $1,109,501.28, of which there was received from the United States $130,239.63.

(5) The amount received during the same time for freight thereon?—A. The receipts from freight were $3,077,330.81, of which there was received from the United States $550,759.73.

(6) The amount paid during said year and for each preceding year for the construction and equipment of said road, and to whom paid?—A. The amount expended to September 30, 1868 (unadjusted balance due contractors not included) for construction is $56,202,906.55, of which there was expended previous to January 1, 1867, $14,215,835.90, in the year 1867, $15,782,976.54; from January 1 to September 30, 1868, $26,204,094.11. These amounts were paid to the chief engineer for preliminary surveys and location of line; to contractors on estimates of the chief engineer, and according to the terms of the contracts, to officers for services, to banks and capitalists for discounts on loans, first-mortgage bonds, and United States 6 per cent. thirty-year currency bonds, to the United States for revenue stamps, to advertising agent for advertising bonds, and to stationers and others for incidental and general expenses.

(7) The amount of indebtedness of said company and when created?—A. The indebtedness of the company consists of first mortgage bonds, $21,408,000; United States loan, $18,958,000; pay-rolls and unpaid bills for September, $1,790,214.28; bills payable and loans in excess of cash on hand and other assets, $1,836,170.33.

(8) The expenses incurred each year ending September 30 running said road?—A. The expenses of operating said road from April 1, 1867, the date at which it was received from the contractors to September 30, 1867, was $956,958.09, and for year ending September 30, 1868, $3,213,565.83.

(9) The amount of dividends declared, the amount actually paid out, and when so declared and actually paid, and the source from which such dividends were derived?—A. There have been no dividends declared or paid to the stockholders of the Union Pacific Railroad Company.

FORT WAYNE, IND., *November* 14, 1868.

SIR: The near approach to the meeting of the two Pacific Railroad Companies, with their respective lines of track, thus opening railroad traffic across the continent, gives importance to every fact bearing upon the success of this great national work. The manner of its construction, the degree of its completeness, and the probable cost as built are believed to be points of special interest with the Department at the present time.

Hitherto much uncertainty has existed as to the cost of a railroad crossing the western half of the continent. The topographical surveys made by order of Congress in 1854 could in one season but partially develop this vast unoccupied region. Its adaptation for railroad construction, and the possibility of avoiding the rugged mountain districts by favorable east and west valleys, could be determined with certainty only by the definite final location. From the progress made in construction, the cost can now be estimated with sufficient certainty for any purposes of the Department.

Having as a member of the locating committee passed over the line adopted, and having taken some notes during the careful professional examination of the entire work to Salt Lake in July last, under your instructions, it seems proper, under the thirteenth section of the amendatory act, to report any facts obtained throwing light upon this subject. This statement, so far as it bears upon the cost, may furnish the same information, but in different form, with that sought through the Government directors by your letter of 7th October last.

It now seems probable that in the division of the work between the two companies this company will build to some point near the northern extreme of Salt Lake. Assuming the place of meeting to be a little west of Monument Point, supposed to be the best point for the junction of the projected Oregon branch, the total length of line built by the Union Pacific Company will be about 1,110 miles.

The cost of the road, as shown on the book of the railroad company is, of course, equivalent to the contract price per mile, which, for the first 900 miles, has heretofore been reported.*

But the *actual* cost to the contracting company, understood to be an association embracing most of the larger stockholders in the railroad company, is shown only by their private book, of which the Government directors have no knowledge. In the present unfinished state of the work even a full statement of the expenditure to date by the contracting company would throw little light upon the cost of the entire line.

On this point a more satisfactory view can now be presented by an approximate estimate from the most accurate data available. A summary of such estimate, for 1,110 miles, I here submit. It does not include the whole cost as the road should be completed.

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*NOTE.—Whether the last two hundred miles has been let to the same contracting company or is being built directly by the railroad company, I am not informed. But as heretofore built and accepted by the Commissioners.

ESTIMATE.

Grading and building 1,110 miles, including trestle-bridging, also Howe-truss bridges and stone culverts, so far as built or commenced	$10,981,492
Iron rails for 1,110 miles, delivered on west side river at Omaha, including 6 per cent. of length in sidings	10,972,837
Spikes, chairs, fish-plates, switches, &c., delivered at Omaha for the same length of road	1,018,923
Transportation of iron rails, chairs, spikes, &c., from Omaha to the track-laying party, averaging near 550 miles, including hauling out ties from Omaha, Laramie, and other points of delivery, with other miscellaneous transportation	2,228,069
Cross-ties for 1,110 miles, with sidings as above, delivered at Omaha, Laramie, and other points of distribution, about three millions in all, of which probably 1,850,000 are mountain pine, 150,000 cedar, 250,000 hard-wood, and 800,000 cottonwood	2,942,500
Track-laying 1,110 miles as per contract, including sidings and probable allowance for delays	1,160,000
Equipment on 1,110 miles, including rolling-stock, shops, stations, &c., estimated at same rate per mile as on first 710 miles	6,438,000
Add cost of preliminary surveys and final location from 1863 to 1868, inclusive, not including land and town-site surveys, probably about	750,000
Add also for engineering and contingencies on construction, general expenses, interest on capital advanced at commencement of the work,* &c., say	2,000,000
Telegraph line, 1,110 miles, as it is being built	333,000
Total	38,824,821

Average per mile, $34,977.32.

Average per mile for 1,110 miles of track superstructure, including sidings and a fair proportion of the allowance for contingencies, $17,000.

The prices affixed are considered a liberal allowance for what has been actually paid to the subcontractors and for materials purchased, not covering the second profit which, of course, is due to the intervening contracting company.

In this statement of cost the bridging, equipment, and general finish, as I found these items up to August last on the first 710 miles, including shops and station buildings then commenced, is taken as a basis for the whole line. All permanent bridges and stone culverts, since substituted in place of temporary trestlework, together with the truss bridges proposed on the Weber River, are also included.

The degree of confidence to which an estimate of such magnitude is entitled can be better determined by stating its elements. The main items, such as iron, ties, track-laying, &c., being matters of public contract and purchase, can vary but little. These constitute over half the whole estimate. The items less certain are the grading, bridging, trestle-work, equipment, and general contingencies. Of the sufficiency of these every practical engineer acquainted with the route will form his own opinion.

As respects the grading and trestle-work, the engineers who made the final location could, from their notes, make a more accurate estimate. The difference, however, could not materially change the general comparison between the actual outlay and means produced.

In the settlement between the board and the contractors for the first 246 miles, reaching to the one hundredth meridian, made in December, 1866, the cost of iron rails delivered at Omaha was found to be near $135 per ton. This is taken as a basis for the first 440 miles, most of which was burdened with the large cost of Missouri River navigation. Iron rails for the last 670 miles have been and are being delivered at Chicago, under public contract, as I understand, at an average of $83 to $88 per ton. They are estimated at $85. Adding railroad freight to the Missouri at two cents per ton per mile, with $2.50 per ton for transferring across the river, gives for this very large item a reliable standard of $97.50 per ton at Omaha. Hauling out iron and other materials to the end of track is placed at two and a half cents per ton of 2,000 pounds per mile.

As respects the grading, the two heaviest sections on the work have been carried into the statement at the estimate of the locating engineers, as reported to the company. In all, there are nine or ten short sections of heavy grading west of and including the expensive parts of the Black Hills range, amounting to 45 to 50 miles. In most cases this is estimated not from the engineer's notes, but by comparison with other similar work.

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* No account is taken of interest paid by the company upon their first-mortgage bonds on the one hand, nor of their receipts from net earnings of the road on the other hand.

Intermediate between these points of heavy work, which embraces most of the rock excavations, the grading is generally of the ordinary character, corresponding in amount of material moved with the cheaper roads in the States further east.

The very favorable formation in the Platte and Lodge Pole Valleys is well known. These divisions are estimated by the mile in comparison with other similar work.

The earth on the entire line is generally light and cheaply removed, which, in part, offsets the extra cost of supplies. The undersigned recognizes the various and necessarily large expenses of a general and contingent character incurred in conducting an enterprise of such magnitude. For this the allowance of two millions would seem to be adequate.

For 1,110 miles of this road the cash value of the Government bonds and the company's first-mortgage bonds, for which this subsidy forms the basis, may be estimated as follows:

United States bonds, from Omaha to the eastern base of the Rocky Mountains (Black Hills range) as fixed by the President, 526 miles, at $16,000	$8,416,000
Ditto, thence for 150 miles, at $48,000	7,200,000
Ditto, for remainder of 1,110 miles, being 434 miles, at $32,000	13,888,000
Total United States bonds bearing interest at 6 per cent. in currency	29,504,000

Average per mile, $26,580.

The company, as the road progresses, issues its own first-mortgage bonds to the same amount. These are 6 per cent. thirty-year bonds, principal and interest payable in coin, and are a prior lien to that of the Government.

Estimating the Government bonds at par and the company's first-mortgage bonds at 92 per cent. over all expense of agencies and commissions, the total cash proceeds amount to $56,647,680, averaging per mile, $51,034.

The lands granted by Congress, whatever may be their value, not in my judgment very large, is a further bestowment from the Government.

The gentlemen composing the contracting company, whose enterprise and experience so rapidly builds the road, merit large compensation. And it is gratifying to find from the foregoing estimates that between the necessary outlay and the means provided by law there is very ample margin for profit, after retaining in the hands of the Government, to be expended by the company on the road, a liberal proportion of the unpaid subsidy, sufficient to complete and equip the work according to the standard of the law. If finished in this manner, under a higher rule of inspection than heretofore, the work will invite the through commerce between the two oceans, meet the great national objects in view, and secure safety, certainty, and dispatch in its traffic.

The idea of bringing the road in its equipment, appointments, and permanent finish to the proper standard of an efficient work by continuing the construction after opening for traffic is by no means new. The first object in railroad construction is, very properly, to lay the rails, even on an incomplete roadway if necessary, so as to transport stone ballast and other materials with which the road, its shops, &c., are enlarged and completed. Railroad managers of experience well know the necessarily large increases of the construction account during the first few years by work properly belonging to the original construction.

There is nothing in the circumstances attending the Pacific Railroad to make it an exception, but much to enforce the general rule. If diverse views exist on this point the difference can only relate to the source from which the completion and equipment fund shall be drawn. Not only the public interest, but the value of the securities of the road will be promoted by putting into the work a further portion of the subsidy rather than in burdening the future income with these necessary expenditures.

The delay in presenting these estimates beyond the time promised has occurred mainly from the necessity of awaiting a personal inspection of the profile beyond the Wahsatch range, the final location of which division was but recently completed.

Respectfully submitted.

J. L. WILLIAMS,
Government Director Union Pacific Railroad.

Hon. O. H. Browning,
Secretary of the Interior.

REPORT OF GOVERNMENT DIRECTOR, MARCH 5, 1869.

WASHINGTON, D. C., *March* 5, 1869.

To the PRESIDENT:

Having on the 9th day of January, 1869, been appointed a Government director of the Union Pacific Railroad, I deemed it necessary and was requested by the President at the earliest practicable day to make myself acquainted with the condition and management of the line of that road.

I therefore proceeded to Omaha and instituted a careful personal examination, which I prosecuted not only to the end of the line as far as cars are running, but several miles beyond.

I now have the honor to submit a partial and preliminary report, as to the location, construction, and condition of the road as I found it.

Under the act creating this company, they are required before they can receive any of the subsidies granted to complete so many consecutive miles of a road, "supplied with all necessary drains, culverts, viaducts, crossings, sidings, bridges, turnouts, watering places, depots, equipments, furniture, and all other appurtenances of a first-class railroad."

This provision of the statute, not being deemed sufficiently definite to secure a uniform standard, to which the Union Pacific Railroad Company and branches and the Central Pacific Railroad Company should conform in the construction of their respective roads, the Secretary of the Interior directed, on the 1st day of February, 1866, that a board, consisting of three Government directors, commissioners, and engineers, should convene in Washington and fix such standard.

On the 24th day of February, 1866, this board, through its chairman, Lieut. Col. J. H. Simpson of the United States Engineers, submitted a report which the Secretary of the Interior on the same day approved, directing "That said report be used by the directors and commissioners as a guide for their action in directing or accepting the work."

The members of this board were evidently (and perhaps properly) animated by a feeling of liberalty toward the Union Pacific Railroad Company, and state that "the importance and public desires for accelerated movement have been fully appreciated, and the board earnestly desires to favor and foster the energy and fidelity which now seems to animate those engaged in the construction."

This feeling so far controlled their action that they provide that "temporary trestles may be adopted upon assurances, to the satisfaction of the commissioners, that stone abutments will be substituted immediately after the line shall be opened, so that stone can be transported thereon."

Considering the munificent manner in which this road has been endowed by the Government, it may be questionable here how far, if at all, the company should be excused from the performance of their agreement to construct such a road as was contemplated by the act.

It is still more questionable whether any departure from their contract should be excused on the "assurances" of the temporary managers of a corporation, every member of which may be changed in a day.

But the directions of the Secretary of the Interior in the premises are binding on me as a director, and I am not disposed to criticise them. Two important reports have recently been made in respect to the condition of the Union Pacific Railroad—one by the Hon. Jesse L. Williams, of Indiana, to the Secretary of the Interior, dated August 15, 1868, and one by Special Commissioners Barnes, Bates, and Blinkensderfer to the President, of still later date.

It appears by both of these reports not only that the company have not constructed a "first-class railroad," but they have in many things utterly disregarded the specifications prescribed by the board hereinbefore mentioned.

It is not necessary here to reiterate the complaints made by Mr. Williams as to the character of the work done and being done on the road. His observations were made in company with the president of the road, and a kindly spirit pervades his report. From this I have been led to hope that his valuable suggestions of improvements in construction would have been regarded and acted upon; but I found that this had been done only to a very limited extent.

One case will furnish an example. He stated that Dale Creek, on the western slope of the Black Hills, running in a granite gorge 120 feet deep and 600 feet wide at grade line, was crossed by a pine timber trestle bridge of 40-feet spans, and complained that it was exposed to decay, and especially to fire.

The remedy applied has been to lay a floor upon the bridge and paint it with fire-proof paint. Mr. Williams suggested that "when the bridge shall decay, permanence should be given either by filling the gorge with earth and rock, or by an iron bridge resting on stone piers."

It strikes me that waiting for the bridge to decay would be rather hazardous. Its decay might, and perhaps will, be discovered by its giving way under a train.

But it is so fixed now that the unsuspecting passengers will not see their danger, nor know that the yawning chasm, granite bottomed, into which they are plunging is 120 feet deep.

The gist of the report of the three special commissioners, each and all of whom were eminently qualified to judge of the work, is contained in that part of it which contains an estimate of what it will cost to make the first 90 miles of the road west of Omaha such a road as was contemplated by the act of Congress. The amount necessary to do this they estimate at $6,489,550. And this, it must be remembered, is for completing a portion of the road which had been accepted as completed and paid for by the Government.

As the time at my command was limited I deemed it better to give my more especial attention to that portion of the road which had not been examined since the track was laid, either by Mr. Williams or by the special commissioners. This portion commenced about 920 miles west of Omaha and extended a distance of 1,000 miles west of Omaha.

One matter which struck me at the very outset, and which seems to have escaped the attention of the gentlemen who have heretofore reported upon the road, is worthy remark, namely, the grade between Omaha and Elkhorn.

On the 12th of May, 1865, the president of the Union Pacific Railroad addressed a communication to the President of the United States asking his approval of a change in the line as located between these two points. The proposed change would lengthen the road 9 miles in a distance of 23, and increase the subsidies $144,000 in money and 180 sections of land. The principal reason assigned for it, however, was that it would reduce the grade.

By the line as located the maximum grade would be 66 feet westwardly and 79.2 eastwardly, while by the proposed line it would be but 30 feet each way. After considerable correspondence, examination, and assurances upon the part of the company, the change was on the 23d day of September, 1865, approved by the President, upon the express condition that the company should make the new line with "grades ascending westward and eastward of 30 feet to the mile as they proposed." It is nearly four years since this was done, and yet I find the grade for 4 miles out of Omaha to be about 90 feet to the mile. There are still assurances, however, that this will be remedied.

Now, with an occasional remark in regard to that part of the road examined by the special commissioners, I will proceed with such report as I am now prepared to make.

LOCATION.

The location of a railroad line is perhaps the most important point to be considered. Heavy grades and sharp curvatures, as also any departure from a straight line, should be avoided as much as the topography of the country through which it passes will permit.

In the case of the Union Pacific Railroad—a road intended for a national thoroughfare, and to which the nation has been so liberal—this rule applies with double force.

The country through which this road passes furnishes a natural road-bed, which admits of no excuse for excessive grades and curves; and while the line is generally well located, there are yet many instances where a straight line has been departed from without cause, and where the grades are heavier and the curves sharper than necessity requires. Between Omaha and Cheyenne there are a number of sharp curves, where the difficulties to be overcome in avoiding them would have been overcome by any first-class railroad in the country. They save labor, however, and lengthen the line.

Between Hazard Station and Granite Cañon the location of the line for about 10 miles was changed after, it is said, an expenditure of over $200,000 in grading in order to avoid a grade of 100 feet to the mile.

As the line is now located there is a maximum grade of 90 feet with many sharp curves, one of which is a 7° curve, thus rendering the hauling of trains difficult and the wear of machinery greater than if the original location had been adhered to. The 100-foot grade might have been avoided, leaving the line as it was, at an inconsiderable increase in the cost of construction, which would have shortened the line and reduced the cost to the Government.

From Rawlings Springs to Wahsatch the location of the road is generally good. But there are a number of curves, many of them quite sharp, and reverse curves which are clearly unnecessary. One mile east of Evanston Station I observed an eight-degree curve reversed on a six-degree curve with no straight line intervening, on an embankment 20 feet high, and near the same place a reverse curve of eight degrees on a 16 feet embankment. These curves are not necessary, and could not be found on any first-class railroad. And when we consider that they are built of straight rails upon embankments of frozen alkali clods without any ballast the danger of passing over them seems absolutely startling.

If the parties who managed the construction of the road had had the same interest which the Government and the people have in a direct and short line across the continent surely many of these curves would have been avoided.

From Wahsatch to Echo the location of the road is radically wrong. For 18 miles it runs along the bottom of Echo Cañon, and the grade is so low that, according to the statements of Brigham Young and others well acquainted with the country, the track will be under the water three or four months in the year. This is the cañon across the mouth of which during the Mormon war Brigham Young built a dam rendering it impassable.

This location might be made safe by rip rapping and extra sluices, but this would necessitate a large annual expenditure to keep it up, and it would be cheaper to abandon this track now than to undertake to adhere to it.

It would have cost less to construct the road on a good location than it has cost where it is. From Echo on as far as my examination extended the location is as good and the alignment and grades as easy as the character of the country will admit.

ROAD-BED.

A considerable portion of the country through which the road passes furnishes a natural road-bed, but in many instances the grade is too low and should be raised.

The embankments and excavations are generally too narrow. Where cuttings are light the embankments are often less in width than the length of the ties, and without the proper slopes. The narrow cuttings will be a fruitful source o[illegible]slides, or where through rock the track is equally liable to be obstructed by f[illegible]rocks. From Bryan to Echo, with the exception of about 10 miles, the track is laid o[illegible] an alkali clay, which is liable to wash away. Until this is ballasted it will be decidedly unsafe to run trains over it at any rate of speed. From Bryan to Wahsatch the track is from 1 to 6 feet below grade and is laid on frozen clods without ballast. Of course this cannot be considered a permanent road-bed, notwithstanding it has been accepted and paid for as "first class."

On the subject of drains and culverts Mr. Williams animadverted to some extent and suggested some important improvements. His suggestions in this behalf have not been followed. There are drains where there ought to be culverts and fillings where there ought to be drains.

For 1,000 miles west from Omaha there are two arched culverts, and only two. On the 13th of February instant, between Shell Creek and North Bend, the track and embankment for about 400 feet were washed away for want of sufficient drainage. A freight train drawn by engine No. 126 (which had been but two months on the road) ran into the chasm, completely wrecking the engine and several cars. A passenger train might have met the same fate.

CROSS-TIES AND RAILS.

These matters, owing to want of time, must be reserved for a subsequent report.

TRACK-LAYING.

This matter, for the same reason, must be postponed as to its main features. I must now confine my remarks to the terms of the contract for laying the track and to one peculiarity in regard to the manner of laying the last 100 miles.

The track is laid under a contract with Casement Bros., in which it is said at least two persons connected with the management of the road have an interest.

The price paid is $800 per mile when not over 2 miles per day are laid; if over 2 miles the price is $1,200. When detentions occur, by reason of the road-bed not being ready, the constructors receive $3,000 per day for such detentions.

I understand that these detentions are not infrequent when less than 2 or 3 miles of road-bed are ready. The peculiarity as to the last 100 miles accepted is that the rails are laid without reference to whether or not the joints come upon ties. They are laid with what is called the fish joint, which consists of two wrought-iron plates 20 inches long, 2½ inches wide, and ⅝ of an inch thick, made to fit the rail to which it bolted with

¾-inch bolts. When a joint does not come on a tie the end of the rail is supported only by these bolts. Such a track may do for a short time, but I have no knowledge of any other road, "first-class" or otherwise, that has adopted this plan of laying a track. It has but one advantage, and that one may answer all the purposes of the managers of the road, which is that more track can be laid in a day than if the joints were required to be placed on the ties.

BALLASTING.

As to this, I have only time to say there is little or none on the road.

The subject of machine-shops, round-houses, equipment and station buildings must be reserved for a subsequent report.

WATER-TANKS AND WINDMILLS.

In regard to these subjects I can now only very briefly make a partial report. The water-tanks are at convenient distances, and are nearly all provided with windmills furnished by the "Maynard Windmill Company," with which to pump water.

If the company had any way of regulating the wind, these things would be both economical and useful. As it is, however, whatever may be said in favor of their economy, they certainly do not possess utility. When there is no wind they do not work; and when there is any wind in that country there is too much for these mills. Their machinery is thrown out of gear and they will not pump.

In a few instances stationary engines have been substituted for the wind-mills, and at Bryan there are thirty-six men employed at $3 per day each to work the wind-mill. Yet these mills are still being erected, a circumstance accounted for by some bad people who assert that the "Maynard Wind-Mill Company" is composed of the managers of the road.

BRIDGES.

I am compelled for want of time to postpone this very important subject until a subsequent report.

FROM WAHSATCH TO ECHO.

The distance between these points is 28 miles, and this is a portion of the line accepted and upon which bonds were issued, as I am informed during my absence. I advised the President by telegraph from Rawlings Springs on the 1st of February, and also by letter from Echo, of the 3d of February, that the work was not completed on this portion of the road.

The facts are these: Within a short distance of Wahsatch it was necessary to tunnel 770 feet. As this would require some time, the company, as a temporary expedient, built a road around the tunnel, which connects with the proposed permanent road ten miles from its point of departure; although the temporary track is much longer than this, and very heavy grades. This was the condition of the road when examined and accepted by the Government commissioners, and it is its condition yet.

Ten miles of road not even graded, and without a rail on it, and a tunnel not yet completed, have been accepted as a "first-class" railroad, and the Government subsidy has been paid upon this acceptance. In justice to the commissioners I will say that I am informed they were taken round this portion of the road, both ways, in the night, on the temporary track.

This is probably not the best way to examine a railroad in order to ascertain whether or not it is a first-class road, but that this was the manner in which it was done may not have been a matter of choice with the commissioners. I am informed that one of them did not willingly sign the report accepting this part of the road, but was eventually persuaded to do so. But no part of the road from Wahsatch to Echo is a "first-class railroad."

As before stated, the location is radically wrong, and must sooner or later be abandoned. On the 10 miles above alluded to there will be 3,000 feet temporary trestle-work. As stated before it would have cost no more to build this portion of the road on a good and permanent location by keeping to the left of Echo Cañon, instead of running in its bed. This location must eventually be adopted.

MANAGEMENT.

I approach the subject of management of this road with great reluctance, partly because of its delicacy and partly because of its magnitude. But as the subject cannot be treated of with delicacy and at the same time with truth, I must eschew the former for the sake of the latter. The fact is the road is not managed at all. It is mismanaged altogether. It might be supposed that the managers of this company in selecting a person to superintend such a road—the longest line of road in the world—would have cast about them for a man of experience; a man who had not only been a railroad man but a successful superintendent of railroads.

The position is one of unparalleled difficulties in the history of railroading, and should be filled, and can be filled well, or even tolerably well, only by the most experienced and capable men to be found. The experience of the general superintendent as a railroad man before entering upon the duties of general superintendent of this, the greatest of roads, was all gained by selling tickets for a railroad in the interior of Iowa.

Is any further explanation necessary as to why this road is so fearfully mismanaged? Only this, that he openly proclaims and acts upon the theory that there shall be no man employed upon the road who knows more about railroading than he does! Commencing with superlative inefficiency and adopting a descending scale is surely not the best way to successfully manage a great line of railroad, and such a course will necessarily bring the management of a road to that point which this road has reached.

The road is divided into four divisions, each of which is under the charge of a division superintendent, one of whom, I will state at the risk of causing his dismissal, does know more about railroading than the general superintendent. These division superintendents operate their respective divisions as though each was a separate road and each competing with the other. Instead of harmony in their operation there is jealousy; instead of co-operation there is antagonism. They are not willing to assist each other; neither will they ask nor accept the assistance of the others lest the general superintendent should say (as he would) that he would have no division superintendent who could not take care of his own division under any and all circumstances. Better, they reason, that everything should go wrong or stand still than that the general superintendent should come to regard them as so far lacking in ability and energy as to require assistance; and from their standpoint they reason well.

The same feeling pervades all the employés of the road. Each is anxious to stand well with the general superintendent, and each is afraid that the others will outdo him in gaining the favor of this great man. Jealousy among equals and tyranny on the part of superiors are universal.

One incident, which occurred at Rawlings Springs on the 13th of February, illustrates the chances of an employé who has a mind of his own holding his place. An engineer was directed to take out an engine, which he declined to do, stating that it would burst. He was dismissed. Another engineer was ordered to take out the engine, but gave the same answer and shared the same fate. A third engineer received the same order and obeyed it. Within half an hour the engine exploded, killing the engineer, fireman, and conductor.

The effects of the mismanagement of the road are seen and felt everywhere in the rusty locomotives in the engine-houses, in the dead locomotives (including about one-half of those owned by the company), in the trains abandoned and forgotten, in the vexatious delays of freight shipped over the road. (There are instances where freight has been delayed on the road for two months or more, and in some cases it never was heard of after leaving Omaha.) The public who furnish the means to build the road are certainly entitled to a better management of it than they now have.

CONTRACTS.

It is a fact which no one doubts, and I believe no one denies, that the persons who have had the superintendence and management of the construction of the Union Pacific Railroad are the persons who have been, and are, the contractors for its construction.

The "credit mobilier" does the work and receives the money. And what is the "Credit Mobilier"? To use the forcible language of Charles Francis Adams, jr., in an article in the North American Review, for January, 1869, "It is but another name for the Pacific Railroad ring. The members of it are in Congress; they are trustees for the bondholders; they are directors; they are stockholders; they are contractors; in Washington they vote the subsidies, in New York they receive them, upon the plains they expend them, and in the 'credit mobilier' they divide them.

"Ever-shifting characters, they are ever ubiquitous; they receive money into one hand as a corporation and pay it into the other as a contractor. Humanly speaking, the whole thing seems to be a species of thimble-rig, with difference from the ordinary arrangement, that, whereas, commonly, 'the little joker' is never found under the thimble which may be turned up, in this case he is sure to be found, turn up which thimble you may. Under one name or another a ring of a few persons is struck, at whatever point the Union Pacific is approached.

"As stockholders, they own the road; as mortgagees, they have a lien upon it; as directors, they contract for its construction; and as members of the 'credit mobilier,' they build it."

It will thus be seen that these parties are not only deeply interested in getting all the money they can, but also in spending all they get, which circumstance will account for the immense cost of constructing the road, as reported by the company. Now, how does this operate on the interests of the Government, the stockholders, and the people?

The Government delivers to these persons so much money, or bonds which are equivalent to money, per mile of the road constructed. They are not responsible for the repayment of this money. A corporation of which they are members to-day, but may not be to-morrow. A corporation with *problematical assets* after these gentlemen get through with it agree to pay the bonds. What means the corporation will have with which to do this, after paying off prior liens, will be considered hereafter. And, besides, when the company and contractors are both interested in having a *long* road, while the Government and the people are both interested in having a *short* one, it is easy to imagine whether the road will be long or short, if the whole matter is to be determined by the company and contractors.

The interest of the stockholders has so far vanished already that it is scarcely worth considering. With the first-mortgage bonds, the Government second-mortgage bonds, the land-grant bonds, and the floating debt which these managers will leave behind them, the chances for the stockholders to realize anything from their investments are so remote that the science of mathematics is not equal to their calculation. The interests of the people are the same as those of the Government. They pay for the road. They are to be taxed for thirty years to pay the interest on these bonds, an amount exceeding the total (necessary) cost of the road. And at the end of the thirty years, when an insolvent corporation refuses to pay the bond, the people must be taxed to pay them. And what are they getting for this? A road built for them? Not at all. They are getting a road built for the express purpose of securing the Government bounty—a road upon which their lives and property cannot be safe.

Aside from this matter of having the more important contracts under the control of the persons who are managing the railroad company, there are numerous associations or "rings," organized for the purpose of conducting nearly all the business along the line, all of which associations are composed in whole or in part of these managers, or of persons in their employ. The whole concern seems to be one vast machine, connected and consonant in all its parts; and the only condition upon which outsiders can procure the machine to run for their benefit is that they shall furnish the lubricating material.

In this connection I will say that I encountered difficulties almost insurmountable in attempting to gain information in regard to the details of the management of the road. There are no people residing along the line to whom I could apply, and hence I was compelled to make inquiries of persons in the employ of the company. These persons are almost universally dependent for their daily bread upon their wages. They cannot afford to be dismissed, and they know they would be if they made any statement detrimental to the interest of their employers, or to any of the innumerable "rings" with which the employés are connected. In the few instances where I gained information from these employés they had a fear, and openly expressed it, that they would lose their places if I used their names in connection with the information they gave.

No one, however, can pass over the line, and observe what is going on, without feeling that all, and more than all, that has ever been charged against the management of the road is true.

I will give a few instances where, although I did not obtain strict legal proof of mismanagement, I gained a firm conviction that what I heard was true, and is susceptible of proof.

In the contract with Brigham Young for grading it was stipulated that the supplies for his employés should pass over the road free.

The amount of freight passing free over the line consigned to Brigham Young, an amount so largely in excess of what is for the use of his men, suggests mismanagement, if nothing else. I observed that the firm of "Magath & Co." had extraordinary facilities for transporting freight over the road. They take all unconsigned freight from Omaha west. In many instances where bills of lading had been signed by the company the goods have been delayed at Omaha and other places along the line until they were transferred to Magath & Co. The consequence is that merchants are compelled to consign their goods to this firm, and pay extra, and often excessive, rates in order to get them through.

Complaints in regard to this matter have been made to the managers of the road, but no steps have been taken to apply a remedy.

The fact that a brother of the general superintendent is a member of the firm of Magath & Co. is, under the circumstances, a suggestive one.

The contracts for fuel are much commented on. The contract price paid for wood, it is said, ranges from $10 to $14 per cord, where the article has been offered from $2 to $3 less. I have positive information that a responsible person offered to furnish all the wood needed west of Green River at $10.50 per cord. His bid was refused, and a contract entered into with other parties to furnish all the wood needed on that portion of the road, for eighteen months, at from $12 to $14 per cord; and the wood being furnished under this contract is scrub cedar and about 3 feet long.

These contracts are made under the direction of the superintendent, and the explanations I heard of his course in the matter are so far from complimentary to him that I forbear to state them.

I am at a loss to understand why wood should be used at all. It will cost about three times as much for fuel to run an engine burning wood, at the price that wood can be obtained in that country, as to run one burning coal even at the price the company pays for coal, while if wood and coal were both obtained at current prices, the difference would be much greater.

The Wyoming Coal Company, said to be a corporation chartered by the legislature of Nebraska, had a contract for furnishing all the coal needed on the entire line for fifteen years. By letter of 23d of February, delivered to the vice-president of the Union Pacific Railroad Company on the next day, I asked for information in regard to several points, and also to be informed as to the terms of this contract. He declined to give the information "for want of sufficient clerical force." I am informed, however, that coal can be furnished at a cost of 50 per cent. less than is now being paid, and as there is better coal, in larger quantities and nearer the road, I have no doubt my information is correct.

COST OF CONSTRUCTION OF THE ROAD, AND FINANCIAL CONDITION OF THE COMPANY.

What it cost to construct this road is a matter of interest to the Government and the people; but an inquiry into this matter without a comparison with what the cost might and should have been is not of much importance. A thing is ordinarily supposed to be worth what it costs, but if it costs more than it should this rule will not apply.

It has naturally been the aim of the managers of this company not only to make their road cost as much as possible, but also to represent its cost at as high figures as the facts will admit, and hence they have taken great pains to present the difficulties of constructing a road through that country in a very strong light, and not a dry light either.

The Rocky Mountains were long represented and regarded as an almost insurmountable barrier to any road across the continent. This idea had so far possessed Congress that, when this company was chartered, the Government subsidy in money was made three times as large for the 150 miles across the Rocky Mountains as for 517 miles east of the mountains. Of course these mountains are not a myth. There is rising ground there, and it rises to a considerable altitude. But on the line of this road it is only rising ground, and the track is laid on the top of it. The difficulties of building that part of the road were not much greater than in building any other part.

From the report of the treasurer of the company we can get at what the road cost *the company*, but what it actually cost to build it is quite another thing, and must to a considerable extent be a matter of conjecture. A gentleman prominently connected with the building of the Atlantic and Great Western road, and who is perfectly familiar with the cost of that road (which was built in times of highest prices), asserts very positively that the road from Omaha to Cheyenne (516 miles), with which he was well acquainted, "could not have cost to exceed $25,000 per mile equipped." From statements made to me by constructing engineers and subcontractors engaged upon the work, I am satisfied that this part of the road, equipped, need not have cost over $30,000 per mile.

I have the engineer's final estimate and payment for one of the heaviest sections of 28 miles between Cheyenne and the 1,000-mile post, on which the actual cost per mile for grading, bridges, and masonry was	$16,081 01
If they put in 2,800 ties per mile at the contract price ($1.20) they will cost	3,360 00
90 tons iron at, say, $150 per ton	13,500 00
Track-laying and spikes	1,500 00
Equipment	7,500 00
Total	41,941 01

The necessary cost of building the road beyond the 517-mile post cannot average this amount per mile; but suppose it does, then we have these figures, calculating for 1,100 miles:

517 miles, at $30,000 per mile	$15,510,000
583 miles, at (say) $42,000 per mile	24,486,000
Total	39,996,000

This, then, would be the value of the road and equipments when completed, if everything was new, but everything will not be new. Portions of the road will be worn out. Much of the rolling stock (at least 33 per cent. of it) will be used up. Even now but sixty-five engines out of one hundred and thirty on the road are serviceable.

But, as a basis for calculating the financial condition of the company, we will take these figures as the value of the road when completed, for 1,100 miles:

Liabilities of the company:

United States bonds		$29,328,000
First-mortgage bonds		29,328,000
Bills payable, loans, &c., January 1, 1869		13,059,847
Total		71,715,847
Value of road	$39,996,000	
Stock paid (as is said)	13,243,800	
		53,239,800
Excess of liabilities over assets		18,476,047

This calculation, of course, leaves out the lands. These figures are interesting to the people, as they show a debit of over $18,000,000 as assets to pay the United States bonds.

But the lands? Are not 14,080,000 acres of land along this great thoroughfare of immense value? The company calculate them at $1.50 per acre, which is more than they are worth. But where will these lands be in thirty years, when the bonds mature? Sold. And where will the money be? Spent. The philosophy of all this has been explained hereinbefore, when treating of contracts. The managers of the road represent that it will cost $82,445,012 for 1,100 miles. As they are the contractors their representations in this matter are perfectly reliable.

CONCLUSION.

I am aware that this report will bring upon me the enmity of persons high in official positions—of persons controlling unlimited capital. I do not court this enmity. I should like to avoid it. But I must do my duty. I have been, to some extent, charged with looking after the interests of the Government in this matter; and the interests of the Government are in this the interests of the people. As their representative, I have deemed it not only right and proper that I should criticise what is amiss in this matter, but that it was necessary to do so. I think that the Government, and through the Government the people, should be advised as to all matters connected with this road which the people have built.

And if what I have herein stated should cause the managers of the road to work less for themselves and more for the people, if it should induce any reform (and there is room for much) in the management of the road, I will be repaid for any personal inconvenience which may result to me because of my preference for facts over gloss, for war (if it may be) over peace.

I have in this report avoided the use of names and specific statements not from a want of them, but from a fear that I might weaken the truth by laying myself open to the charge of personal enmity. If there should be any doubt of my statement, I am prepared to furnish, to those who are entitled to receive, the names, facts, and proofs necessary to confirm all, and may be more, than I have alleged.

The interests of the country in this railroad have never been properly cared for. They have not been cared for at all. Nor can they be while the company is organized as it is now. The Government, in order to protect its rights, must have a voice in the management of the company which can be heard.

Of what avail is it to have five representatives of the Government in a board of twenty directors? And why, when the interests of the Government outweigh all other interests, should its voice in the management of the road be practically unheard?

There should be, and I earnestly recommend that there be, such additional legislation as to give the Government power to protect its rights and the rights of the people.

We have all been so wrapt in admiration at the energy of this company in pushing forward this road, that we have overlooked both the cause and the consequence of their great haste.

To build a railroad faster than even Europe dreamt of building one, is an achievement we would much rather praise than inquire into; so, without stopping to examine *how the thing was done*, we have contented ourselves with the fact that it *was done.* It is time we stopped to ask "is it well done?" In a pamphlet recently issued by the company this question is asked, with the following comment upon its importance:

"This is a point of the highest importance.

"The unprecedented speed with which this road is being built is a matter of astonishment to every beholder; its solidity, permanence, and safety are questions in which every financier, and indeed every American citizen, is directly interested. *The large grants made by Government in aid of the Union Pacific Railroad make it so peculiarly a national work that the finished road will be our national pride or humiliation, according to its character.*"

Calling attention to the unavoidable incompleteness of this report, I have the honor to be, very respectfully,

C. H. SNOW,
Government Director Union Pacific Railroad.

REPORT OF THE GOVERNMENT DIRECTORS, FEBRUARY 17, 1872.

SIR: In obedience to your letter of instructions of February 17, 1872, the Government directors of the Union Pacific Railroad met in the city of Boston on the 5th of March, instant, and considered the subject presented for their consideration by your said letter, and now report their findings and conclusions.

The fourteenth section of the act of Congress of July 1, 1862, provides:

"That the said Union Pacific Railroad Company is hereby authorized and required to construct a single line of railroad and telegraph from a point on the western boundary of the State of Iowa, *to be fixed by the President of the United States*, upon the most direct and practicable route, to be subject to his approval, so as to form a connection with the lines of said company at some point on the one hundredth meridian of longitude aforesaid, from the point of commencement on the western boundary of the State of Iowa, upon the same terms and conditions in all respects as are contained in this act for the construction of the said railroad and telegraph first mentioned."

The President of the United States discharged the duty imposed on him by said act by executing an executive order, from which the following is extracted, viz:

"I, Abraham Lincoln, President of the United States, do, upon the application of the said company" (the Union Pacific Railroad Company), "designate and establish such first above-named point on the western boundary of the State of Iowa, east of and opposite to the east line of section 10, in township 15 north, of range 13 east, of the sixth principal meridian, in the Territory of Nebraska.

"Done at the city of Washington this 7th day of March, in the year of our Lord 1864.

"ABRAHAM LINCOLN."

Every reasonable rule of construction applicable to the aforesaid act and this executive order tends to fix as the point of commencement of the Union Pacific Railroad a point on the main land on the western boundary of the State of Iowa east of and opposite to the east line of the particular section of land mentioned in said order.

That this was the understanding of the said Union Pacific Railroad Company seems clear from the amendatory legislation which it asked for and obtained in 1864. The eastern terminus of said railroad having been fixed on the western boundary of the State of Iowa, as aforesaid, it became necessary for said company to procure further legislation to enable it to comply fully with the law. Hence the amendatory act of July 2, 1864, provided, in the ninth section thereof, that—

"To enable any one of said corporations to make convenient and necessary connections with other roads, it is hereby authorized to establish and maintain all necessary ferries upon and across the Missouri River and other rivers which its road may pass in its course; and authority is hereby given said corporation to construct bridges over said Missouri River and all other rivers for the convenience of said road," &c.

The "other roads" here mentioned (in so far as they could relate to the Union Pacific Railroad) must have been those authorized at the time, or to be authorized, to fix their western terminus on the western boundary of Iowa—the lines being constructed from the east. If this be not so, then the language of the act of Congress is meaningless.

In 1856 Congress had made grants of land to aid in the construction of two lines of railway from the Mississippi to the Missouri River. These lines were represented to commence at Burlington and Davenport on the Mississippi River and end at Council Bluffs on the Missouri River. They have been completed, as well as other lines having their western terminus at Council Bluffs. These, and such other lines as may be constructed to the east bank of the Missouri River, are the "other roads" with which the Union Pacific Railroad was authorized to "make necessary and convenient connections by the legislation of 1864, which was asked for and obtained by said company, and in order to enable said connections to be made said company was authorized to establish and maintain ferries, and to construct a bridge across the Missouri River. No connecting lines had any such right or franchise, *the bridge to be built, kept, and maintained at the expense of said company*," and of course was to be a part of the "continuous line" which the law required to be operated from the point of commencement on the western boundary of Iowa westward to the end of said railroad. We therefore find that the bridge which has been constructed by said company is a part of the line of its railroad, bringing the same to its point of commencement as aforesaid, and perfecting its connection with the other roads having their western termini on the western boundary of Iowa, to wit, on the east bank of the Missouri River.

On inquiry we find that the Union Pacific Railroad Company, on or about the 6th day of January, 1872, by John Duff, its vice-president, entered into an agreement in writing with the city of Omaha, in which it is declared that "the eastern terminus of the Union Pacific Railroad shall be and remain at said city of Omaha."

This provision of said agreement, together with all others tending to change the eastern terminus of said road from the east to the west side of the Missouri River, or tending to shift the responsibility of maintaining said bridge from said company to its connecting lines, we find to be in direct and palpable violation of its charter and detrimental to the interests of the public.

All of which is respectfully submitted.

JAMES F. WILSON,
B. F. WADE,
H. PRICE,
JOHN C. S. HARRISON,
DAVID S. RUDDOCK,
Government Directors.

HON. C. DELANO,
Secretary of the Interior.

REPORTS IN RELATION TO THE UNION PACIFIC RAILROAD, 1872 AND 1873.

LETTER FROM THE SECRETARY OF THE INTERIOR, TRANSMITTING REPORTS IN RELATION TO THE UNION PACIFIC RAILROAD.

[House Ex. Doc. No. 95, Forty-third Congress, first session.]

DEPARTMENT OF THE INTERIOR,
Washington, D. C., January 26, 1874.

SIR: In answer to House resolution of the 21st instant, calling for copies of reports of commissioners under the Pacific Railroad act, I have the honor to transmit herewith a copy of each of the following papers, which, I am informed by the mover of the resolution, are those desired, viz:

1. Letter addressed to the Department on the 13th September, 1872, by James F. Wilson, J. H. Millard, David S. Ruddock, and John C. S. Harrison, four (of the five) Government directors of the Union Pacific Railroad Company, and Horace F. Clark, the then president of said company.
2. Report of said Government directors on said company's road, undated, but received 23d December, 1872.
3. Report of James F. Wilson and J. H. Millard, two (of the five) of said Government directors on said company's road, under date of 1st December, 1873.

I am, sir, very respectfully, your obedient servant,

C. DELANO,
Secretary.

Hon. J. G. BLAINE,
Speaker of the House of Representatives.

P. S.—I also transmit a printed copy of the report on said company's road, under date of 30th October, 1869, by five "eminent citizens."

C. DELANO,
Secretary.

1.

To the SECRETARY OF THE INTERIOR:

SIR: On the 3d day of November, 1869, Hon. J. D. Cox, then Secretary of the Interior, issued an order, a copy of which is hereto attached, suspending the issuance of patents to one-half of the lands to which the Union Pacific Railroad Company was entitled under the legislation of Congress extending aid to said company for the construction of said road.

The company desire to have this order suspended as to the first 200 miles running west from the Missouri River; and the reason for the issuance of said order having, in our judgment, passed away, we recommend that said order be suspended as to said 200 miles, and that patents to the lands be issued to the company in pursuance to the law making the grant.

A part of the Government directors recently passed over the entire line of the road, and will soon report at length the result of their examination.

The foregoing recommendation is made in advance of said report, for the purpose of enabling the company to more readily dispose of its lands, and thus secure the more rapid settlement and improvement of the country along the line of the road.

JAMES F. WILSON.
J. H. MILLARD.
DAVID S. RUDDOCK.
JOHN C. S. HARRISON.
HORACE F. CLARK.

2.

Hon. C. DELANO,
Secretary of the Interior:

SIR: The act of July 2, 1864, in the thirteenth section thereof, provides that "the Government directors shall, from time to time, report to the Secretary of the Interior in answer to any inquiries he may make of them touching the condition, management, and progress of the work, and shall communicate to the Secretary of the Interior at any time such information as should be in the possession of the Department. They shall, as often as may be necessary to a full knowledge of the condition and management of the line, visit all portions of the line of the road, whether built or surveyed."

A visitation of the line of the road was made by three of the Government directors during the month of August last. The entire line was passed over by daylight, and the examination made suggested some subjects of interest, upon which we deem it advisable to report.

The Government has invested in the Union Pacific Railroad $27,237,000 in 6 per cent. bonds, issued to aid the company in the construction of the road. This is not a gift, but an advance in the nature of a loan, which the law contemplates shall be returned by the company to the Government at some time. Hence the loan secures to the Government a lien upon the road and all property and appurtenances belonging thereto, subordinate only to the first-mortgage bonds issued by the company; and further provides that, "after said road is completed, until said bonds and interest are paid, at least 5 per centum of the net earnings of the said road shall also be annually applied to the payment thereof" (sec. 6, act July 2, 1862); and that "one-half of the compensation for services rendered for the Government by said companies shall be required to be applied to the payment of the bonds issued by the Government in aid of the construction of said road" (sec. 5, act July 2, 1864).

The probability of a return to the Government of the amount advanced by it to aid in the construction of the road depends entirely on the condition in which the line and its equipments are kept, and the amount of care, prudence, and foresight exercised in the affairs of the company, including the securing and retention of all business legitimately belonging to the line, and a wise nurture and development of the resources of the country through which it passes, and the regions tributary thereto.

The Government directors found the road, its equipment, and the appointments necessary to the maintenance thereof, in a condition highly satisfactory. Probably no equal number of consecutive miles of railway in the United States can be found in better condition. The efforts then making by the general superintendent to prevent a renewal of the snow-blockade will, in our judgment, if he is allowed to perfect them, prove successful and satisfactory. This being assured, and coupled with a proper and legitimate management of the affairs of the corporation, local, general, and financial, we do not doubt the capacity of the road to be equal to all just demands upon it, including the Government lien. Some reforms, however, are necessary to reach this result. A great corporation like this one cannot be directed with that assurance of success which should attend it, with its responsible management removed 1,200 miles from the head of the field of its operations. The principal office of this corporation should be at the head of the road, and the presence there of a responsible executive officer should be enforced. Successful management can be attained in no other way. This state of things does not now exist. In its stead the responsible management of affairs, even descending to matters of seeming unimportance, is held in Boston and New York. This ought not to be so. The annual meetings of the company should be held at the head of the road, and there should be located the fully authorized and responsible officers of its local management. The records and accounts of the company should there be kept, to the end that those who are charged with the care of the interest of the Government in affairs of the company may have some one place to look to for information. Then it would be within their power to discharge their duties faithfully and properly; now it is not.

To one subject we desire to call your attention especially. On the 16th day of July, 1868, the following agreement was entered into: "This agreement made this 16th day of July, in the year of our Lord 1868, between the Union Pacific Railway, by its proper officers, of the first part, and Cyrus O. Godfrey and Thomas Wardell, of the State of Missouri, of the second part, witnesseth:

"That the said party of the first part agrees that the party of the second part may prospect, at their own expense, for coal on the whole line of the Union Pacific Railway, its extensions and branches, and open and operate any mine discovered, at their own expense.

"That said railroad company agrees to purchase of said party of the second part all clean, merchantable coal, mined along the line of its road, needed for engines, depots, shops, and other purposes of the company, and to pay for the same for the first two years at the rate of $6 per ton, for the next three years at $5 per ton, for the four years thereafter at $4 per ton, and for the six years remaining at $3 per ton, delivered upon the cars at the mines of said party of the second part, and which shall not be less than 10 per cent. added to the cost of the same to the said party of the second part. This contract to be and remain in full force for the full term of fifteen years from the date hereof.

"That the said railroad company agree to facilitate the operations of said party of the second part in prospecting and otherwise, by means of such information as it may possess, and by furnishing free passes on its road to the agents of the party of the second part, not exceeding six in number.

"The said railroad company further agrees to put in switches and the necessary side-tracks, at such points as may be mutually agreed upon, for the accommodation of the business of the said party of the second part.

"That the said party of the second part agree to make all necessary exertions to increase the demand and consumption of coal by outside parties along the line of said railroad, and to open and operate mines at such points where coal may be discovered by said railroad company, and to expend within the five years from the date of this agreement, in the purchase and development of mines and mining-lands, and in improvements for the opening and the successful and economical working of the same, not less than the sum of $20,000; also to furnish for the use of said railroad company good merchantable coal, and to pay all expenses for improvements for loading coal into cars. Any improvements desired by said railroad company in regard to the coal to be used by it shall be at the cost of the railroad company.

"In consideration of their exertions to increase the demand for coal, and the large sum to be expended in improvements, it is further agreed that the party of the second part shall have the right to transport over the said railroad and its branches, for the next fifteen years from the date of this agreement, coal for general consumption at the same freight that will be charged to others; but the said party of the second part shall be entitled (in consideration of the services rendered as herein provided) to a drawback of 25 per cent. on all sums charged for transportation of coal.

"The said railroad company agrees to furnish the party of the second part such cars as they may require in the operation of their business, and to transport them as promptly as possible. This agreement to remain in force for fifteen years.

"The coal-lands owned by said party of the first part are hereby leased for the full term of fifteen years to the said party of the second part or their assigns, for the purpose of working the same as may seem to them profitable, said party of the second part to pay, for the first three years, a royalty of 25 cents per ton for each ton of coal taken from their lands, excepting always coal taken from entries, air-courses, or passage-ways, for which coal no royalty shall be paid, payment of the same being due and payable monthly. The royalty for the last six years of this lease shall be free, provided the price of coal to the railroad company is reduced to $3 per ton; if $3 and 25 cents per ton or more, then, in that case, the royalty shall be as during the first nine years.

"In witness whereof we have hereunto set our hands and seal the day and year above mentioned.

"ABNER OWENS,
"*President Union Pacific Railroad.*
"C. O. GODFREY,
"THOMAS WARDELL."

After the execution of this agreement, to wit, on the 21st day of November, 1868, an incorporated company was formed, known as the Wyoming Coal Company. To said coal company the above agreement was assigned by the parties thereunto. The capital stock of said company is fixed by its articles of incorporation at $500,000, divided into shares of $100 each. Of this stock it is alleged by members of the Union Pacific Railroad Company that nine-tenths of the whole amount belong to their company. In every way known to us we have endeavored to ascertain the truth or falsity of this allegation. Thus far we have failed. Of one thing, however, we are fully assured, and that is that, regardless of the parties in interest, the contract is a bad one. An examination of its provisions, terms, and conditions will readily disclose these objections to it:

1. It leases to a single corporation for a term of fifteen years all of the coal-lands belonging to the Union Pacific Railroad Company, and thus establishes a fuel monopoly along the entire line of railroad, so far as a supply from said lands is concerned.

2. To make this monopoly complete, and to enable the company to prevent the successful working of coal-deposits on lands not belonging to the railroad company, a drawback of 25 per cent. is stipulated to be allowed on all coal transported for general consumption under said contract.

3. While the railroad company is bound by the contract to purchase of the coal company "all clean merchantable coal mined along the line of its road needed for en-

gines, depots, shops, and other purposes," the coal company is not required to furnish all the coal needed.

4. The price stipulated to be paid for said coal is exorbitant—the average for the fifteen years being over $4 per ton at the mine.

5. The railroad company guarantees to the coal company a profit of not less than 10 per cent. on the cost of the coal mined, and thus takes upon itself all of the risks of a business over which, so far as we are advised, it has no control.

6. The railroad company is to be at the expense of putting in switches, side-tracks, &c., for the use of this coal company, thus reducing the cost of mining to it, and the more effectually preventing competition from other parties.

And it may be here stated as a fact that will not be disputed, that the vice-president of the railroad company directed the general superintendent of said company not to allow any side-tracks to be put in at any mine along the line of the road except those of the Wyoming Coal Company.

It is difficult to estimate the injury resulting to all legitimate interests from such a contract. The country through which the Union Pacific Railroad passes needs cheap fuel. Fuel deposits are unlimited and of easy operation. Fuel ought to be cheap. Active competition in its production will assure this. Reasonable and uniform rates of transportation will, if the coal-lands are not held in monopoly, stimulate production and establish competition. This will tend to develop the country along the line of the road and tributary thereto, increase the general and local business of the line, and greatly enhance the probabilities of an ultimate return to the Government of its large investments in the road.

We have tried long and persistently to rid the company of this contract. We have failed to effect this end, and, feeling the great importance of the fuel question to the vast region of country through which the road passes, we deem it our duty to report the facts to you, that the Government may have them in possession, and to the end that some proper remedy may be devised. Since the foregoing part of this report was written, a regular quarterly meeting of the Union Pacific directory has been held in New York. At that meeting we obtained some information not before in our possession. It appeared that the contract above set out was originally entered into for the purpose of forming the basis of the Wyoming Coal Company organization; that the assignment of the contract to that company was a part of the original understanding; that said understanding was carried out as intended, and the stock in the said coal company was subscribed in the proportion of one-tenth by Mr. Wardell, for himself, and nine-tenths by members of the Union Pacific Railroad Company, for the use and benefit of said last-named company. The stock had been never issued, but at the time of the meeting last mentioned an arrangement was made with the coal company for the issuance of the stock in the proportions and to the parties above set forth. The coal company also agreed to an abrogation of the 25 per cent. drawback clause contained in said contract, but no steps were taken for a dissolution of the coal company, and the contract still subsists intact, except the drawback, which may still be allowed by special arrangement. We think the entire policy touching the coal-lands and interests of the Union Pacific Railroad Company unfortunate and unwise, and we cannot give it our approval.

In section six of the act of July 7, 1862, it is provided that, "after the road is completed, until said bonds and interest are paid, at least 5 per cent. of the net earnings of said road shall also be annually applied to the payment thereof."

Here arises an important question: Is the road completed? We think it is, within a fair and reasonable signification of the terms. In our judgment, it has been completed for a period long enough to embrace the two years ending June 30, 1872. The net earnings of the company for those two years are reported as follows:

For the year ending June 30, 1871	$3,443,078 78
For the year ending June 30, 1872	3,142,132 14
Total for the two years	6,585,210 92

Five per cent. on this amount would be $329,270.54. But the company claims that, inasmuch as the above shows the net, after merely deducting the operating expenses, and that the interest account should be deducted also. There is some force in this position, so far as the interest on the first-mortgage bonds is concerned, as the Government subordinated its lien to that of the holders of the first-mortgage bondholders. The interest on these bonds amounts to about $1,634,220, or, for the two years, $3,268,440. As this is payable in gold, estimating gold at 12 per cent., $392,212.80 should be added to the amount, making an aggregate of $3,660,652.80, which, deducted from the gross net, would still leave $2,925,463.20, on which the Government is entitled to the 5 per cent., and which, on this basis, amounts to $146,273.16. We do not see how it can be reduced below this sum, for all other bonds issued by the company are subordinate to the lien of the Government. If the road is completed, then this sum is due to the Government from the company. If it is not completed, then it is not due.

We have expressed our opinion concerning the question. We would suggest that the attention of the officers of the company be called to this subject, and some definite solution of the question arrived at.

Here it may be well to state, as illustrative of the company's ability to discharge this five per cent. claim, that up to August 1, 1872, the Union Pacific Company had furnished toward the construction of the Colorado Central Railroad, in money and material, $269,244.94, besides $35,387.54 for equipment loaned; had advanced to the Utah Northern Railroad, in material, freight, &c., $91,000, and to the Utah Southern Railroad, in material, freight, &c., $99,109.52, or an aggregate of $494,742. We understand that the grand total for all of these roads now amounts to $1,400,000.

We do not question the wisdom of a policy which tends to secure to the trunk-line the business which the said several roads may command. It could not well afford to have said business diverted from it. The policy, however, should be so ordered as not to interfere with whatever present or future claim the Government may have for reimbursement.

We have herein expressed the opinion that the Union Pacific Railroad Company, properly managed, can be made to meet all just demands upon it, including the Government lien.

It is not an exceptionally expensive road to operate. With a careful, prudent management located at the head of the road, clothed with necessary power, making itself thoroughly familiar with the character, resources, and needs of the country tributary a most gratifying increase in the revenues of the company could, in our judgment, be effected. A single fact will serve to illustrate how imperative the demand is for a reform in the direction indicated.

The total increase of freight earnings of the company for the year ending June 30, 1872, over those of the year ending June 30, 1871, was $1,084,378.10, of which only $176,820.40 was the increase of the local earnings, while $907,557.70 was derived from an increase of the through earnings. This shows an unhealthy condition of the freight business of the road. As judiciously managed, the local business should show a much greater increase proportionally than the through business. Such results must inevitably flow from the present system of remote management.

The heads of several departments, such as general superintendent, general freight agent, &c., do not seem to possess the full powers legitimately belonging to them, and, if they did, each would have quite enough to do in his respective department without looking after duties that pertain to the executive powers of the company. The executive power is held in New York and Boston. Those clothed with it seldom visit the line of the road. While this remains the case, there will continue to be that lack of information relative to and grasp of the facts and data concerning the real sources of business from which the greater proportionate increase of earnings should be derived, which now forms a just ground of complaint. It is one thing to manage the through business of this line, to care for the general financial interests of the company, and handle and care for its securities on the market; but it is quite a different thing to grasp the sources of its local traffic, and to develop them into ever-increasing streams of revenue. The former can be done in New York and Boston. The latter can only be accomplished on the line by officers clothed with official executive power. We are not disposed to be captious. We have no desire to tread upon even debatable grounds. We have no suggestions to make tending to deprive the stockholders of the railroad company of their just and proper powers; but it seems to us a duty, in view of the great pecuniary interest the Government has in the road, and the benefit which may accrue to it and all concerned, to suggest that some reasonable and prudent steps be taken, either by the voluntary action of the company or, that failing, by prudent legislation, which shall carry the practical executive management of the Union Pacific Railroad to the field of its local operation.

We do not deem it necessary for us to enter more into the details of the affairs of the company at this time, believing as we do that the enforcement of our suggestions relative to the localization of the management would effect most of the reforms that, in our judgment, seem to be desirable.

JOHN C. S. HARRISON,
J. H. MILLARD,
JAMES F. WILSON,
DAVID S. RUDDOCK,
Government Directors Union Pacific Railroad Company.

Mr. Price, one of the Government directors, not having been able to meet with the above, will account for the absence of his signature.

3.

Report of the Government directors of the Union Pacific Railroad.

DECEMBER 1, 1873.

SIR: We can but express regret that this report upon the Union Pacific Railroad has been delayed to present date. It was our intention to have submitted it early in November, and we should have done so but for a failure to receive certain data, which we had called on the railroad company to furnish, in time to enable us to carry out our purpose. The failure of the company to act as promptly as we desired may have been occasioned by good and sufficient cause, and such is claimed to be the case by the company. We mention the fact as explanatory of the lateness of this report.

During the month of September the entire line of the Union Pacific Railroad was visited and examined by two of the Government directors. The result of the visitation was in many respects gratifying. In our report for 1872 we remarked concerning the road that "probably no equal number of consecutive miles of railway in the United States can be found in better condition." The road this year is in better condition in many respects than it was then. A great deal of work was done in 1872 to guard against a recurrence of the snow blockade.

The result as given in the operations of the line during last winter fully justified the opinion expressed in our former report, wherein we said that "the efforts then making by the general superintendent to prevent a renewal of the snow-blockade will, in our judgment, if he is allowed to perfect them, prove successful and satisfactory." During the preceding winter every train was more or less detained from December 15, 1871, to February 19, 1872, while during the winter of 1872-'73 one train was delayed twenty-four hours, and but a few connections with eastern roads were lost at Omaha for the entire winter. In the efforts to produce satisfactory results in overcoming the snow difficulty for 1873, there were 38¼ miles of track raised from 1 to 6 feet, averaging 3 feet; and there were also built about 25 miles of snow-fences, and 4 miles of snow-sheds. It is expected that many of the snow-sheds erected for the protection of cuts will be dispensed with before the expiration of another year. This will be effected by widening the cuts. This work was being prosecuted while we were on the line of the road, and considerable results had already been accomplished.

Sixty-seven cuts protected by snow-sheds and fences are to be widened in this manner, and when the work shall have been accomplished some 15 miles of sheds and fences will be dispensed with.

At several points the work of widening cuts is aiding materially in the matter of filling some of the highest and longest trestles on the line. The materials taken from a number of the cuts is used for filling the trestles. The trestles in process of filling, and expected to be completed within one year, are as follows:

1st. 23 feet high and 336 feet long.
2d. 24 feet high and 480 feet long.
3d. 25 feet high and 640 feet long.
4th. 24 feet high and 192 feet long.
5th. 38 feet high and 192 feet long.
6th. 74 feet high and 592 feet long.
7th. 27 feet high and 384 feet long.
8th. 35 feet high and 352 feet long.
9th. 35 feet high and 592 feet long.

Sixty miles of new iron have been laid during the year, and 500,000 ties replaced. Ties are now being purchased in plentiful supply at but little more than one-half of former cost.

The following table shows the number and value of engines on the road:

Number of engines.	Value per engine.	Total value.
3	$8,000	$24,000
5	9,000	45,000
1	9,500	9,500
43	10,000	430,000
1	11,000	11,000
69	12,000	828,000
18	13,000	234,000
4	14,000	56,000
3	15,000	45,000
147		1,682,500

The amount, character, and value of rolling-stock on the road August 20, 1873, were as follows:

Cars.	Value each.	Total value.
25 first-class coaches	$6,000	$150,000
26 second-class coaches	3,000	78,000
9 mail-cars	2,500	22,500
12 baggage-cars	3,500	42,000
9 express-cars	3,000	27,000
2 pay-cars	3,500	7,000
2 officers' cars	4,000	8,000
1 (Lincoln) car	1,000	1,000
1,150 box cars	700	805,000
1,500 flat cars	500	750,000
48 dump-cars	500	24,000
50 hand-cars	75	26,250
3 derrick-cars	2,500	7,500
3 wrecking-cars	5,000	15,000
		1,923,350

These were all reported to be in good condition at the date above given; and, touching the sufficiency of the above equipment, the general superintendent reported to us: "We have sufficient cars for general use, but at times could use one hundred more box cars, and one hundred and fifty more flat cars. We are building sufficient freight cars at the present time to meet future requirements."

Our own observation satisfied us that more box and flat cars are needed to accommodate the business of the road, and would have placed the number required at more, rather than less, than named by the general superintendent; and, in our judgment, the motive power, instead of being reduced by sale or leave of Congress, should rather be increased. The following statement will give the location, dimensions, character, &c., of shops and buildings in the locomotive department:

OMAHA.

Machine-shop No. 1, brick, 60 by 120 feet.
Machine-shop No. 2, brick, 50 by 75 feet.
Boiler-shop, brick, 50 by 75 feet.
Blacksmith-shop, brick, 76 by 200 feet.
Tin-shop, brick, 40 by 50 feet.
Stationary-engine room, brick, 26 by 90 feet.
Store-room, brick, 76 by 83 feet.
Oil-house, with cellar, brick, 24 by 37 feet.
Sand-house, brick, 24 by 60 feet.
Fire-engine house, brick, 30 by 104 feet.
Foundery, wood, 76 by 200 feet.
Round-house, brick, 20 stalls.
Store-house (for waste), brick, 26 by 40 feet.

GRAND ISLAND.

Round-house, brick, 10 stalls.
Blacksmith-shop, wood, 20½ by 32 feet.
Oil-house, wood, 9 by 24 feet.
Sand-house, wood, 12 by 16 feet.

NORTH PLATTE.

Machine-shop, brick, 100 by 150 feet.
Blacksmith-shop, brick, 60 by 100 feet.
Office, brick, 22 by 30 feet.
Store room, wood, 18 by 24 feet.
Oil-house, wood, 16 by 16 feet.
Round-house, brick, 20 stalls.

SIDNEY.

Round-house, brick, 10 stalls.
Blacksmith-shop, wood, 22 by 32 feet.

CHEYENNE.

Round-house, mountain stone, 20 stalls.
Coal-house, wood, 30 by 25 feet.
Oil-cellar, wood, 20 by 30 feet.

SHERMAN.

Round-house, mountain stone, 5 stalls.

LARAMIE.

Machine-shop, mountain stone, 75 by 125 feet.
Blacksmith-shop, mountain stone, 75 by 100 feet.
Engine-house, mountain stone, 32 by 39 feet.
Oil-house, mountain stone, 28 by 40 feet.
Iron-house, mountain stone, 34 by 44 feet.
Round-house, mountain stone, 20 stalls.

MEDICINE BOW.

Round-house, mountain stone, 5 stalls.

RAWLINS.

Machine-shop, mountain stone, 75 by 100 feet.
Stationary-engine room, mountain stone, 36 by 48 feet.
Iron and copper shop, wood, 30 by 75 feet.
Office and store-room, wood, 30 by 75 feet.
Round house, stone, 15 stalls.

Fifty feet of the machine-shop at Rawlins is used for a blacksmith-shop. There another machine-shop of wood, capable of holding two engines undergoing repairs.

BITTER CREEK.

Round-house, mountain stone, 5 stalls.
Blacksmith-shop, wood, 32 by 70 feet.

GREEN RIVER.

Machine and blacksmith shop, wood, 40 by 60 feet.
Round-house, Weber Cañon stone, 15 stalls.

EVANSTON.

Round-house, Weber Cañon stone, 15 (20) stalls. (Five stalls are used for a machine-shop.)
Blacksmith-shop, wood, 40 by 60 feet.
Stationary-engine room, wood, 20 by 40 feet.

OGDEN.

Round-house, wood, 6 stalls.
Office and store-room, wood, 20 by 28 feet.

The shops are well provided with machinery of best quality, and seem sufficient for the present requirements of the road. Better, more commodious and comfortable buildings should be erected at Ogden, or such point near there as is to be the permanent point of junction of the Union Pacific and the Central Pacific Railroads. Generally on the line of the road the accommodations for passengers in the matter of eating-houses, waiting-rooms, &c., are good, but at Ogden they are very deficient.

The company has been very fortunate in overcoming one of the most serious difficulties that confronted it at and for some time after the opening of the road. We refer to the want of good water, which for some time promised to be a source of great trouble. The efforts of the company to master this subject have been so far so successful that but little difficulty is now experienced, even when the road is most crowded with business; and on a part of the line where for a considerable time no water fit for machinery was found, now the best is obtained. This has resulted from persistent search, the discovery of springs, and the sinking of artesian wells.

The following statement will show the location of water-stations, dimensions of anks, power used, and source of supply:

Omaha.—Tank 20 by 30, supplied from creek by steam-pump.

Pappillion.—Tank 8 by 12, supplied from creek by hand.

Elkhorn.—Tank 12 by 16, supplied from well by windmill.

Valley.—Tank 12 by 16, supplied from well by windmill.

Fremont.—Tank 12 by 16, supplied from well by windmill.

North Bend.—Tank 12 by 16, supplied from well by windmill.

Schuyler.—Tank 12 by 16, supplied from well by windmill.

Columbus.—Tank 12 by 16, supplied from well by windmill.

Silver Creek.—Tank 12 by 16, supplied from well by windmill.

Lone Tree.—Tank 12 by 16, supplied from well by windmill.

Chapman's.—Tank 12 by 16, supplied from well by windmill.

Grand Island.—One tank 16 by 34, supplied from well by steam-pump; one tank 12 y 16, supplied from well by steam-pump.

Wood River.—Tank 12 by 16, supplied from well by windmill.

Kearney.—Tank 12 by 16, supplied from well by windmill.

Elm Creek.—Tank 12 by 16, supplied from well by windmill.

Plum Creek.—Tank 12 by 16, supplied from well by windmill.

Willow Island.—Tank 12 by 16, supplied from well by windmill.

Brady Island.—Tank 12 by 16, supplied from well by windmill.

McPherson.—Tank 16 by 34, supplied from well by windmill.

North Platte.—One tank 12 by 16, supplied from well by steam-pump; one tank 16 y 28, supplied from well by steam-pump.

O'Fallons.—Tank 12 by 16, supplied from well by windmill.

Alkali.—Tank 12 by 16, supplied from well by windmill.

Ogallala.—Tank 12 by 16, supplied from well by windmill.

Big Springs.—Tank 12 by 16, supplied from well by windmill.

Julesburgh.—Tank 12 by 16, supplied from well by windmill.

Lodge Pole.—Tank 12 by 16, supplied from well by windmill.

Sidney.—Tank 12 by 16, supplied from well by steam-pump.

Totten.—Tank 12 by 16, supplied from well by windmill.

Antelope.—Tank 12 by 16, supplied from well by windmill.

Bushnell.—Tank 12 by 16, supplied from well by windmill.

Pine Bluffs.—Tank 16 by 24, supplied from well by windmill.

Egbert.—Tank 12 by 16, supplied from well by windmill.

Hillsdale.—Tank 16 by 24, supplied from well by steam-pump.

Archer.—Tank 16 by 24, supplied from well by steam-pump.

Cheyenne.—Tank 16 by 28, supplied from well by steam-pump.

Hazard.—Tank 16 by 16, supplied from well by windmill.

Otto.—Tank 16 by 24, supplied from springs by steam-pump.

Granite Cañon.—Tank 16 by 24, supplied from creek by steam-pump.

Buford.—Tank 16 by 24, supplied from spring by steam-pump.

Sherman.—Tank 16 by 24, supplied from spring by steam-pump.

Red Buttes.—Tank 16 by 24, supplied from creek by steam-pump.

Laramie.—Tank 16 by 24, supplied from river by steam-pump.

Wyoming.—Tank 16 by 24, supplied from river by steam-pump.

Cooper Lake.—Tank 16 by 24, supplied from river by steam-pump.

Lookout.—Tank 16 by 24, supplied from well by steam-pump.

Rock Creek.—Tank 16 by 24, supplied from creek by steam-pump.

Medicine Bow.—Tank 16 by 14, supplied from creek by steam-pump.

Carbon.—Tank 16 by 24, supplied from well by steam-pump.

Percy.—Two tanks, each 16 by 24, supplied from springs; self-feeders.

Fort Steele.—Tank 16 by 24, supplied from river by steam-pump.

Rawlins.—Two tanks, each 16 by 24, supplied from Cherokee Spring by self-feeder nd from Rawlins Spring by steam-pump.

Separation.—Tank 16 by 24, supplied from artesian well by stationary engine and oiler and deep-well pump. Depth of well, 1,103 feet; cost, $17,541.97.

Creston.—East, two tanks, each 12 by 16, supplied from well by steam-pump.

Creston.—West, tank 16 by 24, supplied from artesian well by steam-pump. Depth f well, 300 feet; cost, $1,504.66.

Washakie.—Two tanks, each 16 by 24, supplied from artesian well by stationary enne and boiler and deep-well pump. Depth of well, 638 feet; cost, $3,340.37.

Red Desert.—Tank 16 by 24, supplied from artesian well by stationary engine and iler and deep-well pump. Depth of well, 503 feet; cost, $3,345.30.

Bitter Creek.—Two tanks, each 16 by 24, supplied from artesian well; self-feeder. epth of well, 696 feet; cost, $8,230.45.

Point of Rocks.—Tank 16 by 24, supplied from artesian well by steam-pump. Depth f well, 1,000 feet; cost, $2,819.37.

Rock Springs.—Tank 16 by 24, supplied from artesian well; self-feeder. Depth of well, 1,145 feet; cost, $15,331.62.

Green River.—Tank 16 by 24, supplied from river by steam-pump.

Bryon.—Tank 16 by 24, supplied from river by steam-pump.

Granger.—Tank 16 by 24, supplied from river by steam-pump.

Church Buttes.—Tank 14 by 24, supplied from creek by steam-pump.

Carter.—Tank 16 by 24, supplied from creek by steam-pump.

Bridger.—Tank 16 by 24, supplied from creek by steam-pump.

Piedmont.—Tank 16 by 24, supplied from well by steam-pump.

Aspen.—Tank 16 by 24, supplied from well by steam-pump.

Evanston.—Tank 16 by 24, supplied from well by steam-pump.

Wasatch.—Tank 16 by 24, supplied from spring; self-feeder.

Castle Rock.—Tank 16 by 24, supplied from spring; self-feeder.

Hanging Rock.—Tank 16 by 24, supplied from spring; self-feeder.

Echo.—Tank 16 by 24, supplied from spring; self-feeder.

Peterson.—Tank 16 by 24, supplied from spring; self-feeder.

Ogden.—Tank 16 by 24, supplied from river by steam-pump.

Making in all seventy-five water-stations, averaging something over 13¼ miles apart, as the line of road from Omaha to Ogden is 1,038.68. Seven of the stations are supplied by artesian wells, the aggregate cost of which is $52,113.74. At seven of the stations the water-supply is self-feeding; at twenty-eight windmills are used for raising the water; at thirty-eight steam-power is used, and one is supplied by hand.

At the close of the year (30th June, 1873) the company had on hand at its several stations, and belonging to the several departments, supplies of different classes, including ties and fuel, an aggregate amounting to $888,035.64.

Concerning the fuel question, to which we referred at length in the report for 1872, we know of no reason for changing anything in said report. In order to arrive at the real state of the account between the Wyoming Coal Company and the Union Pacific Railroad Company, the following letter was addressed to the superintendent of the former company:

OMAHA, *September* 10, 1873.

THOMAS WARDELL, Esq.,
Superintendent Wyoming Coal Company, Omaha:

Please give the price at which you are furnishing coal to the Union Pacific Railroad Company at this time, and the amount the railroad company owed you 1st September, and at what price you charged the company for coal on which your claim is based.

Yours,

J. H. MILLARD,
Government Director Union Pacific Railroad Company.

The reply to this letter is here given:

WYOMING COAL AND MINING COMPANY,
SUPERINTENDENT'S OFFICE,
Omaha, September 12, 1873.

MR. J. H. MILLARD,
Government Director Union Pacific Railroad Company, Omaha, Nebr.:

DEAR SIR: Yours of September 10 received and contents noted. In answer would most respectfully refer you to Mr. John Duff, president Wyoming Coal and Mining Company, for answer to your inquiries.

Yours, respectfully,

THOMAS WARDELL,
Treasurer Wyoming Coal and Mining Company.

This correspondence is quite characteristic of the conduct of those having in charge the affairs of the Wyoming Coal and Mining Company, so far as our efforts to obtain information relative to its business relations with the Union Pacific Railroad Company are concerned. The account kept at Omaha by the latter company with the former does not agree with the prices for coal as fixed by the contract existing between the two companies. It is alleged that the Union Pacific Railroad Company owns nine-tenths of the capital stock of the said coal and mining company; Mr. Wardell claims to own the other tenth. He is the superintendent and treasurer, in fact the general manager, of the coal and mining company, keeping its accounts, handling its money, and attending to its affairs generally. Considering the alleged interest of the railroad company, and the absence of complete information in relation to the coal account, the application made in the foregoing letter for data was well and properly directed. The result is another evidence of the impropriety of the coal contract from the beginning. Its existence can in no way be justified.

Other parties operating in coal on the line of the road express a willingness to furnish coal to the railroad company at $3 per ton. The price now nominally paid to the Wyoming Coal and Mining Company is $3.50. The difference between this and the contract price, as set out in our report of last year, is, we are informed, held in abeyance for adjustment at some future time.

The coal and mining company claims full contract price, which, as we are informed, reliably we doubt not, amounted, on the 31st of July last to a balance due to said company of $1,075,596.97, while the balance due at that date, at the nominal price of $3.50, was $263,382.15, leaving a balance of $812,214.82, not a dollar of which, in our judgment, should ever be paid. And we are firmly of the opinion that an entirely new policy with respect to the fuel deposits along the line of the road should be adopted, both as to the supplies for the company and for general consumption. Our views upon this subject generally were set forth in our last report, and are not now changed.

The total earnings of the road for the year ending June 30, 1873, were	$9,633,965 09
For the year ending June 30, 1872	7,953,014 20
Increase of 1873 over 1872	1,680,950 80
Operating expenses for the year ending June 30, 1873	4,697,999 56
For the year ending June 30, 1872	4,300,816 94
Increase of 1873 over 1872	397,182 62
Net earnings for the year ending June 30, 1873	4,935,965 53
Net earnings for the year ending June 30, 1872	3,652,197 35
Increase of 1873 over 1872	1,283,768 18

There has been a steady increase in the earnings of the road since the 30th of last June, and for the year which will close June 30, 1874, a very large increase over the last year may be expected.

The net earnings for the year ending June 30, 1873, being $4,935,965,53, by deducting the interest on the first-mortgage bonds (including premium on gold), which, with gold estimated at 9 per cent., $1,781,129.98, we ascertain the amount on which the Government is entitled to 5 per cent. to be $3,154,835.55 for the said year. The 5 per cent. on same amounts to $157,741.77. In stating this conclusion we adhere to the position assumed in our report of last year, that the Union Pacific Railroad is a completed road within the meaning of the acts of Congress providing for its construction. We shall maintain this position until informed that the Government regards it as erroneous.

The floating debt of the company is represented to be about $2,000,000, the greater part of which was occasioned by advances made to connecting lines of road in cash, materials, freight, purchase of stock, &c. A statement concerning each road so aided is here given.

The Union Pacific Railroad Company's interest in the Utah Central Railroad Company, owning a line connecting with the former at Ogden, is the value of 5,000 shares of the capital stock of the Utah Central Railroad Company, purchased at 50 cents on the dollar, $250,000.

The certificates for the 5,000 shares were accounted for on the 4th day of October, 1873, as follows:

	Shares.
Pledged as collateral with Horace F. Clark, for self and other directors, against loans to the company for	3,000
The Union Trust Company of New York	2,000
Total	5,000

This stock is believed to be worth more than it cost the company, and is now in process of transfer to John Duff, president of the Union Pacific Railroad Company, in trust for said company.

Statement of amounts charged Utah Southern Railroad Company for cash advanced, materials furnished, &c., by Union Pacific Railroad Company:

Cash advanced, notes issued, &c	$255,058 68
Materials furnished and labor performed	63,430 90
Freight charges	93,696 72
	412,186 30

Against which the Union Pacific Railroad Company have received 480 Utah Southern bonds at 80 per cent., $384,000. Balance, November 19, 1873, $28,286.30.

The 480 bonds received are accounted for at above date as follows:

Pledged as collateral with—	
Morton, Bliss & Company, New York	$160,000 00
The Union Trust Company, New York	220,000 00
In the hands of the company	100,000 00
	480,000 00

Statement of amounts charged Utah Northern Railroad Company for materials furnished, labor, freight charges, &c.:

Materials furnished, labor, &c		$2,550 29
Charges on freight, local	$49,167 96	
Charges on freight, back	60,047 26	
		109,215 22
		111,765 51
Credit by cash		73,000 00
Balance due September 30, 1873		38,765 51

Statement of amounts charged to the Colorado Central Railroad Company for cash advanced, materials furnished, &c.:

Cash advanced, notes issued, and drafts accepted	$887,696 90
Materials furnished and labor performed	151,171 90
Freight vouchers	48,777 78
Interest on account and past-due coupons	40,665 09
	1,128,301 67

Against which the Union Pacific Railroad Company has received—

110 Colorado Central first-mortgage bonds, at 85	$93,500 00
380 Colorado Central first-mortgage bonds, at 80	304,000 00
2,100 shares stock Colorado Central, at 25	52,500 00
	450,000 00
Balance due September 30, 1873	678,301 67
Property leased, not included in above, consisting of rolling-stock	35,387 54
Actual total at above date	713,689 21

The 490 bonds received as above are accounted for as follows:

Pledged as collateral with—	
Oliver Ames	179,000 00
John Duff	50,000 00
Elisha Atkins	22,000 00
Joseph Richardson	36,000 00
Blake Brothers, &c	200,000 00
	487,000 00
In hands of the company	3,000 00
	490,000 00

The certificates for the 2,100 shares of capital stock are said to be in the hands of the company.

The total amount advanced to the foregoing several companies, as shown by the above statement, $1,937,541.02.

The advances were made to expedite the construction of the several roads mentioned, and to so far effect a control of their traffic in the interest of the Union Pacific Company as would tend to swell the volume of its business and enlarge its revenues. The Colorado Central Railroad is intended to form transportation connections between the mountain regions of Colorado, Denver, and the agricultural section of that Territory and the Union Pacific Railroad, with which it will form a junction at Julesburgh. When we visited the line in September last, it had advanced so far as to connect Denver, Golden, Boulder City, and Fremont by a track of 4 feet 8½ inch gauge, and Golden and Black Hawk by a line of 3 feet gauge, with branch of same rapidly approaching Idaho Springs.

The Denver connection being made over the line of another company in part, the Union Pacific Company has now no friendly connection with any of the points mentioned, nor will it have until the Colorado Central Line shall have been completed to Julesburgh. That such a connection as this will afford will materially increase the traffic over the Union Pacific Road between Omaha and Julesburgh is undoubtedly true, while at the same time it will establish competition between two lines, which will tend to develop the resources of the Territory of Colorado surely and rapidly. Thus far the actual net earnings on the completed portion of the line have exceeded the estimated net earnings. As an illustration of this tendency, we may state that the estimated net earnings per mile for the year 1873 were $2,288; the actual net earnings for the months of May, June, and July were $3,490 per mile. This is the latest date to which we have any published statistics of the road showing net earnings. The following statement, however, shows the monthly gross earnings from the time the road was opened to Black Hawk station, down to and including the month of August, 1873:

1872.	Half month December	$6,651 95
1873.	January	10,274 18
	February	12,630 86
	March	17,648 80
	April	20,455 34
	May	22,058 07
	June	23,924 82
	July	28,539 91
	August	30,600 50
	Total for eight and one-half months	172,784 43

From these figures it may readily be inferred that the excess of net earnings over those estimated occurred during each month. At all events, they show a steady growth of business, which will doubtless continue.

The Utah Central Railroad connects the Union Pacific Railroad with Salt Lake City.

For the year ending December 31, 1872, this road received for freight, reduced to pounds	186,674,948
And forwarded freight, reduced to pounds	37,478,985
Total pounds received and forwarded	224,153,933

From January 1, 1873, to July 31—

There were received	117,534,595
There were forwarded	27,970,129
Total pounds received and forwarded	145,504,724
Or, a total number of pounds for the whole time of	369,658,657
Or, reduced to tons, the number is	184,829

Of the freight forwarded in the year 1871, there were pounds of bullion	11,307,000
Ores containing gold, silver, lead, &c	20,694,092
Total pounds of ore and bullion	32,001,092

Of the freight forwarded in the seven months of 1873, there were pounds of bullion	5,777,831
Ore, as above	15,473,275
Total of ore and bullion	21,251,106
To this should be added, for 1873, lead	3,092,099
Total product for mines forwarded	24,343,205

The shipment of lead for this year is owing to the establishment of separating work in Utah.

There are now located within a distance of 12 miles from Salt Lake City some eleven furnaces for the reduction of ores containing precious metals, and in the Territory of Utah over thirty such establishments are engaged in the reduction of ores. This entire business has been developed since the construction of the Union Pacific Railroad.

The Utah Southern Railroad commences at Salt Lake City, and is now running to Provo, and is ultimately to be pushed on toward the southern portion of Utah Territory.

The Utah Northern Railroad connects with the Union Pacific at or near Brigham City, and runs into the Coche Valley, the finest of all the valleys in Utah, and will be carried on the north to Soda Springs. Over this road will ultimately pass the trade to and from Montana in great degree.

Concerning the last two roads, we are not prepared to furnish any statistics, as they were but recently put into active operation. The spirit of enterprise which has been infused into the country traversed by the several roads mentioned is exceedingly gratifying, and must largely increase the business of the Union Pacific Road, and thus tend to enhance the security of the Government.

With regard to the advances which the Union Pacific Company has made in aid of the roads mentioned, we can but repeat what we said in our report for 1872:

"We do not question the wisdom of a policy which tends to secure to the trunk-line the business which the said several roads may command. It could not well afford to have said business diverted from it. The policy, however, should be so ordered as not to interfere with whatever present or future claim the Government may have for reimbursement."

The ability of the company to make the advances referred to tends to show that it could have returned more to the Government than it has, and raises the question of the power of the company to divert its means into channels not authorized by the law.

Of the land granted by the United States to the company to aid in the construction of its road and telegraph line, there had been sold, on October 1, 1873, an aggregate of 799,748.71 acres, at an average price per acre of $4.50, or a total of $3,598,869.19.

The original issue of land-grant bonds was for $10,400,000. Through sales of land there had been, on the 1st day of September, 1873, $1,389,000 of these bonds retired, leaving an outstanding balance at that date of $9,011,000.

The land grant will ultimately, beyond reasonable doubt, retire the whole issue of land-grant bonds and leave a considerable surplus in the hands of the company.

Several difficulties have arisen in relation to the lands of the company. In the State of Nebraska the lands have been assessed and placed on the tax duplicates of the several counties in which they lie. The company has enjoined the collection of the taxes levied on the lands. The issue of the case thus made will doubtless be with the company with respect to all lands the title to which has not passed from the United States to the company. The questions involved are similar to those decided by the Supreme Court of the United States in the cases of the Kansas Pacific Railway Company *vs.* John H. Prescott, and Same Company *vs.* Charles C. Culp. The matter will then stand in this singular position: The Government has stopped certifying lands to the company. The company is selling uncertified lands to settlers and others at prices averaging $4.50 per acre. Some of the lands thus sold are paid for in land-grant bonds of the company. The bonds, when thus received, are canceled, and the debt of the company reduced in corresponding amount. Some are sold for part of the price paid in cash, with balance on time bearing interest. In either event the company gets a present pecuniary benefit. Still, the lands thus sold are not subject to taxation. We suggest that some remedy ought to be provided for this anomalous case. It is best for all parties concerned that the lands granted to the company should be sold and improved, for this will increase the business of the road and make the company better able to discharge its obligations to the Government. Persons who purchase the lands ought to be assured a good title to the same. The lands sold ought to be subject to taxation. As a remedy, we would suggest that until the Government settles upon a policy relative to the certification of lands to the company, all lands which have been, or may hereafter be, sold in good faith shall be certified to the company, in order that the titles of purchasers may be made complete and the lands thus made subject to taxation. And we see no reason why lands embraced within the grant and adapted to agricultural purposes should not be certified to the company. Such certification would produce two results: First. It would make the lands subject to taxation. Second. It would force sales of the lands, and expedite the settlement and improvement of the country. The attainment of both these results is desirable.

The business of the road is steadily increasing.

The following comparative statement is given for nine months of the years 1872 and 1873, commencing with the month of January:

	Jan. 1 to Sept. 30, 1873.	Jan. 1 to Sept. 30, 1872.
Earnings	$7,366,024 61	$6,238,321 27
Expenses	3,692,882 75	3,547,522 87
Net earnings	3,673,141 86	2,690,798 40

Increase gross earnings for nine months, $1,127,703.34; increase net earnings for nine months, $982,343.46.

With a liberal management of the affairs of the company, especially in the freight department thereof, we do not doubt that the gross earnings of the road may in a short time be increased to $12,000,000 per year. When this point is reached, it is not difficult to see that the road would be competent to protect to the fullest extent the interest which the Government has therein. The road is not an expensive one to operate. In this regard it can be kept below the average of the roads of the United States.

On earnings of $12,000,000 per annum, the account might be stated in this way:

Gross earnings		$12,000,000
Expenses, at 55 per cent	$6,600,000	
Interest on first-mortgage bonds, with gold premium at 9 per cent	1,781,299	
Five per cent. to the Government on net income, at $3,619,000	180,950	
Interest on income bonds	1,000,000	
		9,562,249
Balance		2,438,751

Two things are not provided for in the above statement—interest on the land-grant bonds and interest on the Government bonds issued to the company. The interest on the latter, in currency, would be $1,629,982.09, leaving balance, after paying all but interest on land-grant bonds, of $808,779.91.

With an energetic and economical administration of the land department, it should provide for the interest on the land-grant bonds.

After careful investigation of the subject, we do not hesitate to express it as our firm conviction that the result above stated can be attained within the limit of the next two years. But to reach it a reform in the management must be enforced. What this is we pointed out in our report of last year. What we then said we would reiterate now. The capabilities of the road are great—so great that we would not be understood as fixing $12,000,000 per annum as its maximum attainment.

The safety of the Government's investment depends on the future of the road; and we cannot urge too strongly that some means be devised for a localization of the executive power of the company. Once this is effected, a multitude of obstacles which now retard and obstruct the development of business throughout all of the vast region of country would disappear, for it needs but an acquaintance with them by persons charged with the responsible executive power of the company for them to be removed out of the way.

JAMES F. WILSON,
J. H. MILLARD,
Government Directors Union Pacific Railroad.

Hon. C. DELANO,
Secretary of the Interior.

[Senate Ex. Doc. No. 90, Forty-first Congress, second session.]

Letter of the Secretary of the Interior, communicating, in compliance with a resolution of the Senate of this date, the report on the final completion of the Pacific Railroad.

DEPARTMENT OF THE INTERIOR,
Washington, D. C., May 23, 1870.

SIR: I have the honor to transmit herewith the report on the final completion of the Pacific Railroad, called for by Senate resolution of this date.

I am, sir, very respectfully, your obedient servant,

W. T. OTTO,
Acting Secretary.

Hon. SCHUYLER COLFAX,
Vice-President of the United States and President of the Senate.

WASHINGTON, D. C., *October* 30, 1869.

The undersigned, members of a commission for the examination of the Union and Central Pacific Railroads, appointed under a "Joint resolution for the protection of the interests of the United States in the Union Pacific Railroad Company, the Central

Pacific Railroad, and for other purposes," approved April 10, 1869, have the honor to submit the following report:

Under instructions from the Interior Department, dated August 14, 1869, four members of the commission were in Omaha on August 23, but the instructions of the fifth commissioner having failed to reach him he was not present, and it was informally decided to proceed to Sacramento. The commission met at Sacramento on September 8, all the members being present; organized by the election of General Hiram Walbridge president, and General C. B. Comstock secretary, and commenced the inspection of the Central Pacific Railroad, usually working from 6.30 a. m. till dark, and occupying from September 8 until September 14 in the inspection of that road. The inspection of the Union Pacific Railroad was begun September 14 and completed September 23, when the commission adjourned to meet at Washington, October 13, 1869, but the meeting was subsequently postponed until October 23, when most of the maps and information asked for from the two roads had been received.

The joint resolution under which the commission was appointed requires it "to examine and report upon the condition of, and what sum or sums, if any, will be required to complete each of, said roads, for the entire length thereof to said terminus as a first-class railroad, in compliance with the several acts relating to said roads." The instructions of the Interior Department require that the "report should be minute and specific upon the several particulars relating to the construction and equipment of each of the roads, which those instructions set forth, and that it should state to what extent, if any, the line of either road deviates from the most central, direct, and practicable route mentioned in said acts of Congress."

The instructions add: "You will not, however, be restricted to these instructions, but will, in the spirit of the resolution, include in your report any suggestions or facts relating to the roads, elicited by your examination, which you shall consider necessary to be submitted to the President of the United States."

The first question that comes before the commission is, what is meant by Congress in its various acts relating to the Pacific Railroads, by the words "first-class railroad."

Railroads now ranked as first-class in this country were far from being perfect at their opening, and have been brought to their present high standard by large expenditures, which a small traffic in the beginning could never have justified. To require the Pacific railroads to be brought at first to the standard other roads have reached, after years of heavy and lucrative business, would be a waste of money. It is evident to the commission that this was not what Congress desired or intended in requiring a first-class railroad.

If private corporations had built these roads without governmental subsidy, it would undoubtedly have been for their interest to build them at first at the lowest cost consistent with keeping them in operation, and, when built, if a paying business should be developed, to have gradually made the improvements which increasing traffic should render necessary.

But Congress had made a large loan and an extensive land grant, a part of which will be valuable, and in return it required a better road than private interests would have built—a road that should be capable of transporting passengers and freight with rapidity, safety, and certainty—a road as good as the majority of those in the thickly-settled States.

In the opinion of the commission the requirements of the law will be satisfied, and the designs of Congress carried out, if the roads be properly located, with judicious grades; have substantial road-beds of good width; ballasting which, with proper care, shall be able to keep the track in good condition throughout the year; permanent structures for crossing streams, good cross-ties, iron and joint fastenings; sufficient sidings, water-tanks, buildings, machinery, and adequate rolling-stock—the more important machine-shops and engine-houses being of masonry—and the commission is glad to be able to say that, in its opinion, while some expenditures still need to be made, these two roads are substantially such roads to-day. The expenditures needed for completion will be given in detail for each road.

Report on Central Pacific Railroad, with estimate of sums required to complete it.

LOCATION.

In the opinion of the commission the general location is good, although they saw several places where it appeared to them it might be improved in some of its details, perhaps at a somewhat increased expense; but this could only be determined positively by an extended instrumental survey, for which the commission did not have the time at its disposal. While, as was to be expected, the location is open to criticism, there are no errors the immediate correction of which should be required by the Government. It is not thought that they exceed reasonable limits, considering the haste with which the latter part of the road was built, nor that either bonds or land-grant should be withheld for the small distance by which they increase the length of the road. The road is capable of doing all its business with safety and rapidity.

THE ROAD-BED

Is generally of good width, both in cuts and embankments; a few points were noticed where the embankments were narrow, and an estimate has been made of the cost of widening them.

TUNNELS.

There are fifteen tunnels on the road, through solid rock and conglomerate or sof granite. A part of these are arched with heavy woodwork, which will last for many years. Those not through solid rock and not arched have stood without giving trouble for two or three years, and show no signs of failure; we therefore make no estimate for arching any of them.

BRIDGES, TRESTLES, AND CULVERTS.

The bridges are usually Howe's truss, of good material and workmanship. Several of them are, however, lighter, especially in their suspension-rods, than is advisable, and in some cases so light that the heaviest load which can be put on them, a train of locomotives coupled together, should not be run over them at high speed. An estimate has been made for strengthening such as are deemed too weak to carry the maximum load with safety. They are the bridges over the North Fork of the Humboldt, over Donner Creek, and the two long spans of that at the American River.

The piers of the American River bridge are of wood. An estimate is made for replacing them with stone.

The high trestles west of and in the Sierra Nevada are generally of good character. At least two of them should ultimately be filled up or replaced by permanent structures, as also the trestles and temporary water-ways east of the Sierra Nevada. An estimate is made for this. The *immediate* replacement of these trestles, however, should not be required, as they will be safe for four or five years, and in the mean time the necessary experience will be gained as to the position and dimensions of the water-ways required.

The masonry, especially on the mountain division, is well constructed and of good material.

SNOW-SHEDS.

At the summit of the Sierra Nevada the snow sometimes falls to the depth of about 15 feet, making it a problem of great difficulty to secure the running of trains during the winter, but one, it is believed, which has been boldly and successfully met.

Through the region of heavy snowfall, except on some high embankments, the track has been covered by strongly-built sheds, boarded in at the sides, thus thoroughly protecting it from snow.

There are in these mountains frequent snow-slides, or snow avalanches, and in many places the road crosses the track. Whenever this occurs in excavation a heavy roof is built over the road and extended up the side of the mountain, to which its upper edge is fitted and the whole securely fastened to the rock, its slope being such that the avalanche will pass readily over it. These roofs in some cases extended up the whole slope of the mountain 100 to 200 feet, and are very strongly built to carry the great weight which may be suddenly thrown upon them. In a distance of 40 miles there is an aggregate length of 32 miles of snow-sheds and galleries, costing, according to the statements furnished by the company, $1,731,600.

TRACK.

The iron in the track varies from 56 to 66 pounds per linear yard; is thoroughly spiked on good-sized cross-ties, numbering from 2,300 to 2,640 per mile; about 115 miles is laid with chairs, and the remainder with fish-joints. The whole is in good surface and line, and as well adapted to high rates of speed as the average first-class railroads in the United States.

SIDINGS.

The sidings, which are about 5 per cent. of the length of the road, are ample for the accommodation of its business, and judiciously located.

BALLAST.

A large portion of the road is well ballasted with good material. In making estimates to supply the deficiencies noted in this respect, regard has been had to the character of the material of which the road-bed is constructed, and the small rainfall east of the Sierra Nevada.

STATION-HOUSES.

The station-houses west of the Sierra Nevada are not deemed sufficient, and an estimate is made for additional ones. Farther east, while they are but common buildings, they are yet sufficient for the present business of the road. When replaced they should be of a better character.

WATER STATIONS.

These are sufficient in number and located at convenient points, excepting in the alkali country, where some are too far apart for economy in operating the road—in one case 34 miles. But it is so obviously for the great advantage of the company to get water at convenient distances, that we do not think it necessary to estimate for the cost of an additional supply.

MACHINE-SHOPS AND ENGINE-HOUSES.

The machine-shops are considered sufficient except at the proposed junction of the two roads. There is a sufficient supply of machinery and tools on hand for all the shops except at this junction. East of Rocklin the engine-houses are of wood, and these should have walls of stone or brick. Some additional ones are needed. Estimates are made for all these items. These wooden engine-houses are first-class buildings of their kind, but they should have been built of brick or stone originally.

EQUIPMENT.

The company have on the line of their road one hundred and sixty-six locomotive engines; thirteen sleeping-cars; sixty-two first-class and thirty-five second-class passenger-cars; twenty-three baggage, mail and express cars; six hundred and forty-eight box, fruit, and stock cars; twelve hundred and ninety-three platform cars; and in course of construction, according to the statements furnished by the company, eighteen sleeping-cars; thirty-one first-class and twenty-five second-class passenger-cars, which the commission believe to be considerably in excess of the number required for the present and immediate future business of the road.

TELEGRAPH LINE.

The telegraph line is well constructed and is supplied with a sufficient number of stations.

ESTIMATE FOR SUPPLYING DEFICIENICES ON THE CENTRAL PACIFIC RAILROAD.

For ballasting track between Sacramento and Alta	$20,000
For ballasting track between Verdi and Humboldt	50,000
For ballasting track between Humboldt and Carlin	100,000
For ballasting track between Carlin and Promontory	50,000
For widening embankments between Verdi and Humboldt	5,000
For widening embankments between Carlin and Toano	5,000
For widening embankments between Toano and Promontory	3,000
Additional station-houses between Sacramento and Alta	10,000
Freight and passenger depot at the proposed junction of the two roads	10,000
Engine-house at Truckee, of brick or stone, in addition to amount already expended there	20,000
Substituting brick walls for frame in engine-house at Wadsworth	$15,000
Substituting brick or stone walls for frame in engine-house at Winnemucca	11,200
Substituting brick or stone walls for frame in engine-house at Carlin	11,200
For brick or stone engine-house at Terrace, in addition to material now there	20,000
For brick or stone engine-house at the proposed junction with the Union Pacific	40,000
Machine and repair shops at the said junction	50,000
Tools and machinery for shops at said junction	20,000

Strengthening two long spans of American River bridge	$2,000
Putting in stone piers at American River bridge	18,750
Strengthening Donner Creek bridge	500
Strengthening bridge over North Fork of Humboldt	500
For abutments, straining-beam bridge, and filling at Arcade Creek	1,500
To fill up Auburn trestle and put in arch culvert	15,000
To fill up trestle at Station No. 450, and put in arch culvert	16,000
Filling trestles and making permanent water-ways at one hundred and seventy-five short openings of trestle-work	70,000
Filling trestles and making permanent water-ways at thirteen large openings of trestle-work	13,000
Total	576,650

SURPLUS MATERIALS.

On examining the list of surplus rolling-stock, materials, and supplies submitted by the company, the commission is of opinion that after making a liberal allowance, this company have more than a million dollars' worth of such property on hand, beyond the immediate future wants of the road.

In Appendix A will be found a list of the maps, papers, and statements submitted by this company.

Report on Union Pacific Railroad, with estimate of cost of completion.

LOCATION.

The location of the accepted line is highly creditable to the engineers of the company. There are fewer errors than might reasonably have been expected, considering the length of the road and the difficulties encountered, and none which, in our opinion, the Government should require corrected. There are deviations from this accepted line at Promontory Mountains, and at Uintah, which should be corrected; and at Omaha the bridge line should be built to avoid the present heavy grade. The adoption of this line removes the necessity of reducing the grades on the present location as heretofore required. An estimate of the cost of these changes is made.

ROAD-BED.

The road-bed is, a large part of the way, of proper width, both in cuts and embankments, though there are some places where greater width is needed on the embankments, for which an estimate is made.

TUNNELS.

There are four short tunnels; three through solid rock not arched, and one arched with timbers. The commission have not deemed it necessary to provide for arching with masonry.

BRIDGES, TRESTLES, AND CULVERTS.

Several of the high trestles between Blue Creek station and Promontory ought to be filled up at once. They were evidently intended as temporary expedients to gain time in opening the road. Below Echo, two high trestles (on the nine hundred and seventy-first mile), and the two of same character near Piedmont (on the nine hundred and thirty-fourth and nine hundred and thirty-sixth miles), should be filled within the coming year. The high trestle at Dale Creek is a good structure, and no estimate has been made for filling this, it being a first-class work of its kind.

The bridges are generally well built and of good materials. There are, however, several of one hundred and one hundred and fifty feet span on Bitter Creek, where a water-way of forty feet would have beenample. The masonry of these is of an inferior character.

The company are now engaged in changing the course of the stream, so as to render eight or ten of them unnecessary, and will fill the crossings with embankments. An estimate is made for completing those which are to remain.

Some of the Howe truss bridges, like several of those on the Central road, are light in their suspension-rods for the maximum load of a train of locomotives. Several should be strengthened, for which estimates are made.

In reference to many of the trestles (not heretofore mentioned) and culverts, which we have estimated for replacing, we would remark that practical railroad managers, having a due regard to economy, would not replace them by permanent structures so long as they are safe and reliable, which, in the opinion of the commission, will be four or five years for many of them, at the end of which time experience will point out the position and size of water-ways with much more certainty than can now be determined.

SNOW-FENCES.

Some protection against snow has already been provided, and much more will be necessary. The officers of the road seem to be aware of the importance of these structures, and were engaged in preparing the material for them. It will undoubtedly be expedient to erect snow-sheds at some of the exposed points, but experience only can locate them properly. The saving in expense of operating and repairs will be so large that no railroad similarly situated can afford to be without them; we think, therefore, that it will be safe to leave all this part of the work in the hands of the company to be done as fast as their experience shall point out the right places and the character of the structures to be built.

TRACK.

The track is generally very good, but a few miles were observed where the heavy traffic, near Omaha, had worn the rails considerably. To replace them is a matter of ordinary repairs, and not of construction, this part of the road having been in operation for four years. About 450 miles of the track is laid with rails weighing 50 pounds per linear yard, and with wrought-iron chairs; the remainder is of 56 pounds and laid with fish-joints.

The cross-ties are generally of pine, of fair size and good quality, excepting those on about four hundred miles immediately west of Omaha, where originally a large proportion were of cottonwood. Many of these have been replaced with pine, oak, and cedar, but a large number are still in the track. A part of the cost of replacement belongs to the repairs of the road, but a portion should be borne by the construction account, as the cross-ties were originally inferior. One hundred thousand dollars above the ordinary repairs is estimated for their replacement, the company now having a large number on hand for that purpose. The cross-ties number from twenty-three hundred to twenty-six hundred and forty in each mile of track.

SIDINGS.

The sidings are ample for the business of the road, amounting to fully 9 per cent. of its length.

BALLAST.

A considerable portion of the road is well ballasted with good material; quite a large amount is, however, still needed, especially between Promontory and Ogden, and in the Platte Valley. For the latter, it can only be obtained by very long hauls; still we regard it so important as to justify us in estimating the expense of procuring it.

STATION-HOUSES AND WATER-TANKS.

The station-houses are of good character, properly located, and sufficient in number to accommodate the business of the road. The company have also erected, at convenient points on its line, several good hotels and eating-houses for the accommodation of passengers. There are some long intervals between water-tanks, but the commission is satisfied that all that is practicable is being done by the company to obtain an abundant supply of good water.

COAL.

The discovery of good coal in large quantities, easily accessible, at several points on the line of this road, is of great value in reducing the cost of operating.

MACHINE-SHOPS AND ENGINE-HOUSES.

At several places there are permanent machine-shops, well constructed and fully supplied with machinery and tools. These are properly located. We have estimated for building one more at the proposed junction of the two roads. The engine-houses are generally of stone or brick, and of sufficient size. There are three points at which others will be required, for which estimates are made.

EQUIPMENT.

There are upon the line of the road one hundred and forty-nine locomotive engines; twenty-six first-class and fifteen second-class passenger-cars (besides sleeping-cars in use upon the road but not owned by the company); eighteen baggage, mail, and express-cars; eighty-eight caboose-cars, which can also be used for emigrant-cars; nine hundred and fifteen box-cars, eleven hundred and seven platform-cars (besides three hundred leased to and used by other roads). There are three first-class passenger and two express and baggage cars in course of construction in the company's shops at Omaha. The freight-cars are considerably in excess of the present and immediate future wants of the road. In view of the very large amount of material the company have on hand at Omaha, and their ample facilities for construction of passenger-cars, we have made no estimate for additions to this class of equipment.

TELEGRAPH LINES.

The telegraph line and stations are sufficient for present purposes, though many of the poles are not of the most durable material.

ESTIMATES FOR SUPPLYING DEFICIENCIES, UNION PACIFIC RAILROAD, PROMONTORY TO OGDEN.

Ballasting track	$46,000
Widening embankments	6,400
Filling high trestles between one thousand and seventy-sixth and one thousand and eighty-fifth miles, inclusive	38,000
Abutments and piers at Bear River bridge, in addition to materials on hand and work done	5,000
Abutments, Ogden River bridge, in addition to work done and material on hand	4,000
Filling up and making permanent water-ways at forty-four short openings	20,000
Filling up and making permanent water-ways at three larger openings	1,200
Filling, putting in straining-beam bridges and abutments, at three large trestles	5,400
Correcting construction and reducing grades to conform to accepted location between one thousand and eightieth and one thousand and eighty-fifth miles, inclusive	80,000
Total	206,000

ESTIMATES FOR SUPPLYING DEFICIENCIES, UNION PACIFIC RAILROAD, FROM OGDEN TO OMAHA.

Ballasting track between—	
Ogden and Echo	$5,000
Echo and Bryan	70,000
Bryan and Rawlins	90,000
Rawlins and Laramie	85,000
Laramie and Ogallalla	70,000
Ogallalla and Omaha	116,500
Widening embankments between—	
Ogden and Echo	3,600
Echo and Bryan	31,500
Bryan and Rawlins	12,500
Rawlins and Laramie	6,000
Laramie and Ogallalla	7,000
Ogallalla and Columbus	18,000
Columbus and Omaha	9,000
For freight and passenger depot at the proposed junction with Central Pacific Railroad	10,000
For engine-house of brick or stone at said junction	40,000
For machine-shops at said junction	50,000
For engine-house at Green River, of brick or stone, in addition to materials already on hand	20,000
For engine-house, of brick or stone, in the vicinity of Wahsatch or Evanston	20,000
For replacing cottonwood ties, in addition to repair account	100,000
Strengthening Papilion bridge	500
Widening pier and changing bridge at Crow Creek	1,000
Rebuilding piers and abutments at Laramie	6,000

For masonry and erecting bridge at Little Laramie	$3,000
For improving abutments at Rock Creek	1,000
For repairing masonry at Medicine Bow bridge	2,500
Rebuilding and repairing masonry at Bitter Creek bridges	21,000
For abutments and piers at Green River	15,000
For widening pier at last crossing Black's Fork	1,000
Piers and abutments at Black's Fork, eight hundred and seventy-third mile.	3,500
Piers and abutments at Black's Fork, eight hundred and eightieth mile.	12,000
Masonry at crossing Big Muddy, eight hundred and ninetieth mile	7,500
Masonry at crossing Big Muddy, eight hundred and ninety-first mile	5,500
Masonry for four straining-beam bridges between nine hundred and forty-sixth and nine hundred and forty-ninth miles, including filling trestles	15,000
For abutments for six 40-foot straining-beam bridges on nine hundred and eighty-fifth to nine hundred and eighty-eighth miles, inclusive	2,400
Arch culvert	500
Filling trestle at Weber River bridge	3,000
Filling and replacing with permanent water-ways thirty-five small openings of trestle-work between Ogden and Yellow Creek	14,000
Filling and replacing with permanent water-ways ten larger openings between Ogden and Yellow Creek	11,000
Filling two high trestles on nine hundred and seventy-third mile	12,000
Filling two high trestles on nine hundred and seventy-first mile	32,500
Filling trestle on nine hundred and seventieth mile	2,000
Filling two trestles on Yellow Creek	2,200
For abutments, filling and putting in straining-beam bridges at nine hundred and sixtieth and nine hundred and seventy-sixth miles	2,500
For filling and replacing with permanent water-ways ten small openings of trestle-work between Yellow Creeck and Piedmont	2,000
Filling trestle at nine hundred and sixty-eighth mile	500
For abutments, straining-beam bridge, and filling at nine hundred and fifty-sixth mile	1,500
For filling four large trestles between nine hundred and forty-fifth and nine hundred and thirty-fourth miles, inclusive	33,500
For filling and replacing with permanent water-ways seventeen small openings between Piedmont and Bryan	7,000
Abutments at crossing Big Muddy, nine hundred and twenty-seventh mile.	9,000
Abutments at crossing Biddy Muddy, nine hundred and twenty-third mile.	3,000
For abutments, bridging, and filling eighteen trestles between Piedmont and Bryan, chiefly over the Muddy	32,600
For filling and putting in three culverts between Piedmont and Bryan	3,700
For filling and replacing with permanent water-ways forty small openings of trestle-work between Bryan and Rawlins	16,000
Filling and replacing with permanent water-ways twenty larger openings between Bryan and Rawlins	20,000
Filling and replacing with permanent water-ways sixty small openings of trestle-work between Rawlins and Laramie	24,000
Filling and replacing with permanent water-ways seventeen larger openings of trestle-work between Rawlins and Laramie	17,000
Filling three other large trestles and putting in culverts between Rawlins and Laramie	25,000
Filling and replacing with permanent water-ways one hundred and twenty-five small openings of trestle-work between Laramie and Ogallalla	50,000
Filling and replacing with permanent water-ways thirty-seven larger openings of trestle-work between Laramie and Ogallalla	29,000
Filling eighteen other large trestles between Laramie and Ogallalla	50,000
For filling and replacing with permanent water-ways one hundred and fifty small openings between Ogallalla and Omaha	30,000
For filling and replacing with permanent water-ways twenty-five larger openings of trestle-work between Ogallalla and Omaha	20,000
To change line to original location at Uintah	5,000
To reduce grade or change line near Omaha	60,000
Total, Promontory to Omaha	1,586,100

SURPLUS MATERIAL AND SUPPLIES.

After examining the lists of rolling stock, material, and supplies on hand submitted by the company, and making a liberal allowance for the immediate future wants of the road, we find they have a surplus amounting to about $1,800,000 in value.

In Appendix B will be found a list of the maps, papers, and statements submitted by this company.

In concluding this report, the commission desire to state that both the companies are doing a large amount of work on their respective roads, and are day by day bringing them nearer to the standard required by law.

This great line, the value of which to the country is inestimable, and in which every citizen should feel a pride, has been built in about half the time allowed by Congress, and is now a good and reliable means of communication between Omaha and Sacramento, well equipped and fully prepared to carry passengers and freight with safety and dispatch, comparing in this respect favorably with a majority of the first-class roads in the United States.

Respectfully submitted.

HIRAM WALBRIDGE,
S. M. FENTON,
C. B. COMSTOCK,
E. F. WINSLOW,
J. F. BOYD,
Commissioners.

Hon. J. D. COX,
Secretary of the Interior.

REPORT FOR 1874.

LETTER FROM THE SECRETARY OF THE INTERIOR, TRANSMITTING, IN OBEDIENCE TO A RESOLUTION OF THE SENATE, A COPY OF THE REPORT OF THE DIRECTORS OF THE UNION PACIFIC RAILROAD COMPANY.

[**Senate Ex. Doc. No. 30, Forty-third Congress, second session.**]

DEPARTMENT OF THE INTERIOR,
Washington, D. C., February 19, 1875.

SIR: In answer to Senate resolution of the 17th instant, I have the honor to transmit herewith a copy of the report of the Government directors of the Union Pacific Railroad Company, made to this Department on the 2d December last.

I am, sir, very respectfully, your obedient servant,

C. DELANO, *Secretary.*

Hon. HENRY WILSON,
Vice-President and President of the Senate.

DECEMBER 2, 1874.

SIR: In the month of August last the Government directors of the Union Pacific Railroad made their annual inspection of the entire line of the said road, and now submit their report of the results of their visitation. The entire line afforded evidence of steady and substantial improvement, and of the competency and faithfulness of the general superintendent's department of the service. The head of said department, and his several assistants, do most carefully and satisfactorily discharge the powers and duties devolved on them; and we are fully impressed with the belief that if more power were vested in the general superintendent the company would derive advantages therefrom. In our report of December 1, 1873, we called attention to certain difficulties relating to the lands granted by the United States to the company. These difficulties arose from the order issued by your predecessor, in 1869, suspending the issuance of patents for the lands to the company, and involved the entire question of the power of the States and Territories in which the lands lie to tax them for local purposes.

This question was carried into Congress during its last session, and a variety of measures were proposed to render the unpatented lands liable to such taxation. Some of the measures were harsh in terms, and would have been mischievous in operation if enacted, by bringing into the land-system of the Government exceptional and unusual principles and rules, and rendering titles to vast bodies of land complicated and uncertain. Happily, the cause for such action toward the lands of the Union Pacific Railroad has been removed by the recent order of the President, directing patents to be issued to this company for its lands.

This order we understood was based on a report made to the President by a special commission appointed during the past autumn. The purpose of the commission, as we are informed, was to ascertain whether or not the Union Pacific Railroad was completed as required by law, and especially to determine if certain improvements and expenditures recommended by the special commission of "eminent citizens" in their report of October 30, 1869, had been made. The commission of 1869 had recommended that certain "deficiencies" enumerated in their report be required to be supplied by the company, in order to put its road in the condition of a completed road within the meaning of the several acts of Congress relating thereto. The estimated cost of said deficiencies from Omaha to Promontory was $1,586,100. To secure the expenditure of this amount, as recommended by the said commission, patents to the lands of the company were withheld. The report of the recent commission, we are informed, states that the company has complied with the requirements of the Government under the report of 1869, and, the report having been approved, the patents have been ordered to be issued to the company. The execution of this order will settle the difficulties surrounding the question of local taxation hereinbefore alluded to, perfect the titles of many purchasers of the company's lands, quiet the apprehensions of a multitude of settlers thereon, accelerate sales, and tend to a more rapid retirement of the land-grant bonds. With regard to the action of the company concerning the improvements and expenditures required by the order of the Department based on the report of the commissioners of October 30, 1869, the Government directors had collected facts and data extending from October, 1869, to July 31, 1874, before being informed of the purpose of the President to appoint a special commission; and not being informed of the detail of the report made by said commission, we present the results of our efforts and inquiries, believing them to fully justify the action which the President has taken with regard to the patents for the lands granted to the company. The aggregate expenditure required of the company by the report of October, 1869, was $1,586,100. This included the line from Omaha to Promontory, as above stated, while the amount required between Omaha and Ogden (the line of the Union Pacific) was $1,380,100. The expenditures of the company for the purposes specified in the said report were greatly in excess of the amount therein required, as will appear by the following comparative statement:

Description of work, &c.	Estimated deficiency, as per report of commissioners.	Actual expenditures of the Union Pacific Railroad Company	Deficiency.	Excess.
Roadway and track—ballasting, widening, &c	$529, 100 00	....	....	....
Reducing grade at Omaha	60, 000 00	$379, 162 63	$209, 937 37	....
Shops and fixtures	130, 000 00	268, 485 41	....	$138, 485 41
Stations and buildings	10, 000 00	551, 527 25	....	541, 527 25
Tenement buildings	....	38, 965 45	....	38, 965 45
Bridging	551, 000 00	307, 163 40	243, 836 60	....
Snow-sheds and fencing	....	393, 978 14	....	393, 978 14
Fencing	....	75, 779 23	....	75, 779 23
Ties	100, 000 00	820, 588 58	....	720, 588 58
Telegraph	....	79, 901 16	....	79, 901 16
	1, 380, 100 00	2, 915, 551 25	453, 773 97	1, 989, 225 22
Deduct estimated deficiency of commissioners, as per report of 1869	....	1, 380, 100 00	....	....
Deduct deficiency	....	....	....	453, 773 97
Excess of expenditures over deficiency	....	1, 535, 451 25	....	1, 535, 451 25

It will be observed that the large expenditures made by the company do not, in al respects, conform to the recommendation of the commissioners. This is owing mainly to the teachings resulting from the practical operation of the road, more definite knowledge of the country, its streams, drainage, &c.; and therefore a greater benefit has been secured to the property than would have resulted from a strict adherence to the suggestions of the commissioners.

Between the 1st of January, 1874, and the close of our inspection of the road in August last, 55 miles of 58-pound rails had been relaid; the cost of rails and transportation to points where used having been $271,552.94. An additional 22 miles of rails were contracted for, one-half being in transit and all to be delivered before the close of November.

In the same time there had been put in track 367,307 pine and 47,892 hard-wood ties; the cost of which, at points where used, being $260,249.11, a fraction less than 65 cents per tie, including transportation.

Eight miles of track have been raised during the year, releasing one-half mile of snow-sheds and 10 miles of snow-fence—the fences in many places being double or treble breasts, thus accounting for the excess of miles of fence over miles of raised track. The protection of the road now against obstruction by snow has been carried to such a degree of perfection, that impediments to the operation of the line from that cause will be no greater in the future than may be expected on any of the lines between Chicago and New York. The problem of the practicability of the road for winter operation may be considered as solved.

The filling of the high and long trestles mentioned in our report of 1873 has been completed, as follows:

No. 765, near Arpen, 24 feet high, 408 feet long.
No. 766, near Arpen, 50 feet high, 600 feet long.
No. 767, near Arpen, 29 feet high, 186 feet long.
No. 798, near Wasatch, 29 feet high, 186 feet long.
No. 799, near Wasatch, 71 feet high, 590 feet long.
No. 800, near Wasatch, 24 feet high, 360 feet long.
No. 801, near Wasatch, 35 feet high, 350 feet long.
No. 802, near Wasatch, 35 feet high, 386 feet long.

The average height of these trestles was a fraction over 37 feet, and average length, 383¼ feet. The stone culverts placed under them and on which the fills were made cost $9,500, and the cost of filling $217,655.21. The track over the places once spanned by these high wooden trestles is now as permanent, substantial, and safe as any other part of the line.

Of the Dale Creek bridge the commissioners, in the report of October, 1869, remarked as follows: "The high trestle at Dale Creek is a good structure, and no estimate has been made for filling this, it being a first-class work of its kind." This work was in good condition in August, but it is the purpose of the company, as we are informed, to fill the trestle with earth and rocks as others have been filled; and although the expenditure necessary thereto will be larger than that required by any other like work on the line, it will be judicious to make it, and it ought to be done during the present year.

The additions made to the equipment of the road since January 1, 1874, are as follows:

Ten ten-wheel Taunton locomotives, 18 by 24 inch cylinders, thirty-five tons weight; each cost, delivered at Omaha, $11,675, or an aggregate of $116,750.

Six second-class passengers-cars, built at company's shops at Omaha, at a total cost of $21,402.05.

Sixty-eight box freight-cars, built at company's shops at Omaha, at a total cost of $56,100.

The shops of the company located at several points on the line as heretofore reported are in good condition, well supplied with machinery and material, and in all respects ample for the present requirements of the road.

The gross earnings of the road for the year ending June 30, 1874....	$10,246,760 16
For the year ending June 30, 1873....	9,633,965 09
Increase for 1874 over 1873....	612,795 07
Operating expenses, &c., for the year ending June 30, 1874....	5,112,400 25
Less surplus in material and fuel account....	22,611 08
For year ending June 30, 1873....	4,697,999 56
Increase of 1874 over 1873....	391,789 61
Net income for year ending June 30, 1874....	5,156,970 99
For year ending June 30, 1873....	4,935,695 53
Increase of 1874 over 1873....	221,275 46

In view of the general depression which fell upon the business of the country following the panic of September, 1873, the results presented by the earnings of the road are gratifying.

As showing the steady increase of business and earnings, we may mention that for the months of July and August, 1874 (covering the time from the close of fiscal year to the close of our inspection of the road), the gross earnings were....	$1,892,559 16
For same period in 1873....	1,714,111 68
Excess in favor of the two months of 1874....	178,447 48
The total expenses for the said two months in 1873....	838,129 38
For said months in 1874....	757,914 83
Decrease in favor of 1874....	80,214 55

The net earnings for the year ending June 30, 1874, being $5,156,970.99, by deducting the interest on the first-mortgage bonds (which the company claim should be done), and premium on gold at 10 per cent., $1,797,642, we find that the amount on which the Government, for the year, would be entitled to 5 per cent., is $3,359,328.99. Five per cent. on this amount is $167,966.44.

For the year ending August 31, 1874, the company sold of its granted lands 269,292.28 acres, at an average price per acre of $4.91¼, making a total amount of sales of $1,314,644.33, of which $121,274.78 was paid in cash, the balance of $1,136,499.59 being evidenced by time-contracts.

The amount of cash received during same period as advanced interest on time contracts was $2,119.79; and there was paid out by land department for cancellation of land-grant bonds and interest accrued on same $56,869.96.

The original issue of land-grant bonds was	$10,400,000 00
August 31, 1874, there had been retired	1,445,000 00
Balance of land-grant bonds outstanding	8,955,000 00
Total number of acres sold to August 31, 1874	1,069,040 96
Total proceeds of sales to that date, cash and time contracts	4,913,513 52

This statement would indicate that the agricultural and grazing lands situate in the State of Nebraska, and included in the grant to the company, will be sufficient to retire the land-grant bonds without regard to the remainder of the grant. This does not include any of the coal-lands belonging to the company, nor those yielding iron, both classes being of great value and constituting a part of the grant.

During the past year the company has issued 8 per cent. funding bonds to the amount of $10,541,800.

The larger part of these bonds, to wit, $10,522,800, have been used in retiring the 10 per cent. income-bonds. The income-bonds issued amounted to $9,355,000. Of income-bonds there are yet outstanding $586,000.

The exchanges of funding bonds for income were made as six to five, that is to say, six of the former were given for five of the latter.

We did not give our consent to this basis of exchange, as we regarded, and do still regard, the funding-bond as the best security, the incomes being no more nor less than notes of the company.

The income-bonds matured in September last, and the rate at which they could be exchanged for the sinking-fund bonds was established to insure a prompt exchange, and thus prevent embarrassment to the company. We think the exchange might have been effected at a less rate, but this was a matter of judgment in which we were overruled. The present market-value of the sinking-fund bonds shows that we were correct, as it is about equal to that which the incomes commanded.

The Union Pacific Railroad Company has taken possession of all the coal-mines heretofore in the possession of the Wyoming Coal and Mining Company, and is now working them as its own property. This has caused a resort to legal proceedings against the company by Thomas Wardell, which, if properly and earnestly resisted by the railroad company, will, in our judgment, result in the defeat of Wardell's pretensions, and in the annulment of the so-called contract, under which the Wyoming Coal and Mining Company long held possession of the vastly valuable coal-lands of the Union Pacific corporation. The contract is copied at length in the report of the Government directors for 1872; and the legal proceedings above referred to were called to the attention of the Secretary of the Interior by special communication, in September last, in which was inclosed a copy of Mr. Wardell's bill of complaint, with the suggestion that the subject be brought to the attention of the Attorney-General, with a view to having instructions given to the United States district attorney for the district of Nebraska to give his attention to the case.

While we approve the action of the railroad company in repossessing itself of its mining property, we cannot give our assent to its management of the same; nor do we believe that the system of management adopted would be long continued if the practical executive power of the corporation was located where it ought to be, on the line of the road.

The railroad company took possession of its mines in March last, and up to the 1st day of September had mined 64,992 tons, at an average cost of $2.13½ per ton. At the Evanston mines the rates paid for mining run from $1.12½ to $3 per ton—average about as above stated; while the Rocky Mountain Coal Company pay at the same place 75 cents gold per ton. The latter company has complete control of its mines, and can stock up its yards to any extent it pleases, while the former is not allowed by its employés to stock ahead of present needs. The Rocky Mountain Company employs Chinamen as miners; the Union Pacific Company employs white men exclusively.

The railroad company has undertaken to supply coal to the general market, and in doing this has practically reversed the most odious feature of the Wyoming Coal Company contract; that is, its transportation rates discriminate against other producers of coal, as will appear by the following table, showing number of tons sold by the company at different points on the road, the price per ton, and the rate per ton charged other parties for transportation:

Stations.	Tons sold by railroad companies.	Rate, per ton, at which company sells.	Price charged to other producers, per ton, for transportation.	Excess charged for transporting coal, per ton, over what the company charges for coal, including transportation.
Omaha	1,137	$9 00	$10 00	$1 00
Papillion to Gibbon	1,341	8 50	11 00	2 50
Kearney to North Platte	223	8 00	9 50	1 50
Cheyenne	150	7 00	6 00	*1 00
Laramie	73	6 50	4 75	1 75
Ogden	417	6 50	10 00	†3 50

*Less than company sells at present. †Excess.

From this table it appears that the railroad company delivers coal to consumers at Omaha at $1 per ton less than they charge other producers of coal for transportation alone, and at Ogden the excess is even greater, being $3.50; and at Cheyenne the rate leaves other producers only $1 per ton for their coal above transportation, while the cost of production to the railroad company averages $2.13½ per ton; so that the present system of management with regard to fuel is as utterly destructive of competition as was the Wyoming Coal Company contract. The policy is without justification or excuse, injurious to true interests of the company, and obstructs the development of the country through which the line passes, and on which it depends for traffic.

The question whether or not the bridge crossing the Missouri River is a part of the line of the Union Pacific Railroad, and to be operated as such, is now in course of determination by the United States circuit court for Iowa. The case of the United States, on the relation of Hall *et al.* *vs.* The Union Pacific Railroad, presents the question. The case has been argued and submitted, and the decision of the court will be rendered at the May term for 1875.

The earnings of the bridge for the year ending June 30, 1874, were	$396,458 29
Expenses	219,618 54
Net earnings of the bridge	176,839 75

For the year ending June 30, 1874, the company earned on Government account as follows:

Passengers	$208,364 55
Mail	325,143 00
Freight	225,513 71
Total for the year	759,021 26

Under the act of 1873 the Government retains the entire amount of earnings on its own business to apply the same on the interest account which it holds against the company.

We do not hesitate to reaffirm the opinion expressed in former reports of the Government directors, that the Union Pacific Railroad, with a localized business management, with proper and sufficient power, can be made to meet all of the liabilities which rest upon it, including every dollar which the Government has invested in it. Our study of the road, of its ability to develop business in the country through which it passes and in regions tributary to the line, and of the possible large increase in volume of through traffic, both domestic and foreign, only confirms us in the belief that the road can be made to pay in the fullest sense that its obligations may require.

An intelligent judgment upon this great national work has never been pronounced by the country. Its construction was attended with thoughtless applause. The cost was not counted, nor cared for. The end was looked to only, and everything which tended to secure it was granted with acclaim, and approved without due consideration. The country was then in pursuit of a great object; it is now in possession. Pursuit is always more liberal than possession. If it was too liberal then, it may be that it is too harsh now.

The present opinion of this stupendous work derives its tone and character from developments subsequent to its construction. The "Credit Mobilier" investigation has tinged everything. The judgment which follows completion is as unsound as that which attended construction. The work has substantial merits, which cannot be detected from either of these standpoints. A localized management will support our judgment; and this can be had either by the voluntary action of the company, or by such reasonable and prudent legislation as will not do violence to the company's chartered rights. If this end is not reached, and our recommendations are not approved and enforced, either by the company or by Congress, still the case is not so bad as, from a mere pecuniary point of view, the country now seems to regard it. We believe that the affairs of the company can be so conducted that every dollar of the Government investment can be returned. The point on which we turn the whole case is a localized management. The reasons for this position need not be stated at length, for they must be self-evident to every correct business mind. For three years past the Government directors have recommended the reform here indicated. Our recommendations have passed as the idle wind, and little or nothing has come of them. If nothing is to be done, then we must view this case from another standpoint.

The Government has invested in the Union Pacific Railroad $27,237,000, in 6 per cent. bonds, issued to aid the company in the construction of its road. The theory of the law extending this aid is, that principal and interest shall be returned to the United States. Suppose it shall fail, and that not a dollar of this vast investment should be returned to the Treasury of the United States, except by the indirect methods hereinafter named, what follows in this worst view of the case? Does the Government lose? Has it lost the amount of the investment? The Government has appropriated many millions of dollars for the benefit of commerce without exacting or expecting a direct return therefor. These appropriations have been for the public good. The general benefit was expected to more than repay the special outlay of treasure. A striking example of this policy is afforded by the act of March 2, 1867, which made an appropriation of $500,000 for the improvement of the Des Moines Rapids in the Mississippi River by canal. To that appropriation is attached this proviso: "That any canal that may be constructed around the said Des Moines or Lower Rapids of the Mississippi River shall be, and remain forever, free to the navigation and commerce of said river, and no tolls shall ever be collected thereon." (Statutes at Large, 14, p. 420.) Several millions of dollars of public treasure are involved in this improvement of the navigation of the Mississippi River. In this case the Government said to all parties concerned in the navigation of the Upper Mississippi substantially this: "Build your boats for the upper-river trade and you shall have, at the public charge, uninterrupted navigation from Saint Louis to Saint Paul; the Des Moines Rapids shall be overcome by a canal which shall cost you nothing, and on which you shall pay no toll or charge forever; for the expense of the improvement is contracted for the general benefit of commerce and for the public good." All of the appropriations made from the Treasury of the United States for the improvement of rivers and harbors, for the maintenance of buoys, the establishment of light-houses and life-saving stations, the perfection of the coast survey, and the defense of our coast are for the common good of the public, and without exaction or expectation of direct return to the national Treasury. The worst case that can be presented against the Union Pacific Railroad Company is better than this.

Suppose that it should not in whole, as it has not in part, pay the interest on the Government bonds issued in aid of its construction, nor provide for the payment of said bonds at their maturity, what then? What is the worst of the case? Two Departments of the Government have furnished answers to this question.

The Postmaster General stated, in a communication to the House of Representatives, in answer to a resolution of inquiry adopted by that body, that for mail service rendered by the Union Pacific Railroad Company for the years 1867 to 1872, inclusive, the Government had paid $1,156,138.73, and that had the road not been constructed it would have paid, for the same service, over the routes merged into this one, for the same time, $1,799,718.28, being a saving, calculated on the basis of pounds transported by stage, of $107,263.25 per annum; but in addition to this direct saving, the Postmaster-General states in said communication that "it should be borne in mind that the mail service by the railroad route between the Missouri River and the Pacific coast is incomparably superior to the previous service. Under the contracts which expired in 1868, the schedule time for a trip from Atchison, Kans., to San Francisco, Cal., was sixteen days for eight months, from April to November inclusive, and twenty-four and a half days the residue of the year. By the railroad route the time, the year round, is less than four and a half days. The average amount of matter conveyed in the mails overland before the completion of the railroads was less than a thousand pounds per day, the paper mails being mainly forwarded via Panama in consequence of the exaction of prepaid letter-postage rates on such matter conveyed between the western boundary of Kansas and the eastern boundary of California, under the 4th section of the act of March 25, 1864; now, that section having been repealed from the 30th September, 1868, by the act of June 25, 1868, the whole letter and paper mails are carried overland, averaging, in March, 1870, on the Union Pacific Railroad, 6,376 per day, and on the Central Pacific 5,308 pounds per day. The railroad companies provide, moreover, first-class cars 48 feet in length, with all the necessary fixtures and furniture, in which railway post-office clerks appointed by the Department accompany and distribute the mails, while in transit, in all respects as if in local distributing post-offices, by which means the detention of mails in such offices is avoided, and the greatest practicable expedition secured."

On the 31st day of January, 1873, the Secretary of War communicated to the House of Representatives of the Congress of the United States, in answer to a resolution of that body, a letter of the Quartermaster-General of the Army of the United States, M. C. Meigs, from which it appears that the construction of the Union Pacific Railroad had saved the Government large sums in that Department of the public service. Making an average of saving on several routes of transportation theretofore used, he states the case thus:

"At this average rate, the estimated cost of transportation of the freight moved by the Union Pacific Railroad, including express charges as shown above, during the time commencing July, 1866, and ending January 28, 1873, would be as follows:

Rate per 100 pounds per 100 miles, railroad rates	$0 40¼
Rate per 100 pounds per 100 miles, wagon rates	1 46
Actual cost of freight at railroad rates	1,896,589 57
Estimate of cost at wagon rates	6,837,088 32
Showing a total estimated cost for moving the troops and supplies by stage and wagon of	$9,850,134 67
Total actual cost by railroad	3,342,851 82
Estimated difference	6,507,282 85

equivalent to about 66 per cent.

From these statements it appears that the saving to the Government to June 30, 1872, upon the transportation of postal matter alone by reason of the construction of the Union Pacific Railroad amounted to $643,579.55. Upon the same basis the saving to the Government from this source to September 30, 1874, amounted to $1,015,829.90. This statement assumes that the amount or weight carried was only equal to that transported previous to the construction of the road; but in fact the amount by rail has been over six times the amount formerly transported by stage, so that the real saving, taking weight alone as the basis of the calculation, has been about $6,094,979.40.

The statement from the War Department above cited shows that the saving upon military transportation to June 30, 1872, was $6,507,282.85, and upon the same basis the saving to August 31, 1874, would have been $8,462,107.76.

Thus it appears that during the past two years, or since June 30, 1872, the saving to the Government in the transportation of postal matter, of troops, stores, &c., has been at the rate of $1,894,894.40 per annum.

The case comes to this: allowing that there will be no increase in amounts carried from year to year, the saving during the thirty years (being the term for which the Government bonds were issued in order to secure the construction of the road) would amount to		$56,846,832
The Government has advanced in bonds at 6 per cent	$27,237,000	
Interest on same for thirty years, at 6 per cent	49,026,600	76,263,600
Balance due Government on saving alone		19,416,768
For this term of thirty years the War Department 33 per cent. of saving would be about $366,333⅓ per year		15,000,000
Post-Office Department about $100,000 per year		3,000,000
		1,000,000

We have not pretended to account for fractions in this estimate, but have simply presented round numbers, and, by this rule find that the Government at the end of thirty years will be a positive gainer by the construction of the Pacific Railroad, though not one cent shall be returned to the Treasury from the company except by the modes above stated.

As a national investment, we believe that the Union Pacific Railroad, with our suggestion effected, will pay.

We leave the results with those who, under the existing laws of Congress, and such amendments as may be enacted, have the power to direct us in our duties.

JAMES F. WILSON.
J. H. MILLARD.
JOHN C. S. HARRISON.
T. B. BREWER.
JOHN A. TIBBITTS.

Hon. C. DELANO,
Secretary of the Interior.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILROAD COMPANY FOR THE YEAR 1875.

SIR: During the month of August the Government directors of the Union Pacific Railroad made the usual annual inspection of the road. The result was quite satisfactory, as the entire line gave evidence of steady, noticeable, and substantial improvement, fully justifying the commendation bestowed in our report of 1874, upon the general superintendent and his several assistants.

In our report of 1874 we remarked that "the protection of the road now against obstruction by snow has been carried to such a degree of perfection that impediments to the operation of the line from that cause will be no greater in the future than may be expected on any of the lines between Chicago and New York. The problem of the practicability of the road for winter operation may be considered as solved."

The experiences of last winter more than maintain this declaration, for, while the lines between Chicago and New York were frequently and seriously obstructed by snow, the Union Pacific Road was substantially free from such impediment during the entire season, notwithstanding the winter was exceedingly severe, and the fall of snow unusually great.

The only serious delay on the road during the year was occasioned by the "wash-outs" on the two western divisions last spring. All the roads are liable to such disasters, but on none could they be met more efficiently than they were on this. It put the superintendent's department to a severe and unexpected strain, and the promptness and completeness with which it was met shows how thoroughly that department is organized. The greatest delay to first-class passengers was three days, and the greatest delay to freight was ten days, notwithstanding the vast amount upon the line at the time. The experiences of the "wash-out" period, short as it was, and the means adopted to prevent a like occurrence, we regard as sufficient to dispel any apprehension for the future beyond such as apply to all the great lines of the country.

The replacement of iron is being carried on with sufficient rapidity to keep the track in as serviceable and efficient condition as most other trunk lines. The mountain divisions are being supplied with steel rail as fast as the needs of the road require and it can be obtained.

The establishment of a rolling-mill on the line at Laramie was an act of wisdom, and is working a great saving in the cost of rerolling the iron of the road. Heretofore all rerolling was done by mills east of the Mississippi River. The economy of the present system will appear from the following statement. Heretofore Eastern mills took the old iron at Council Bluffs at $21 per ton, and returned at that point the same number of tons at $51. Allowing 50 cents per ton each way over the Missouri River bridge would make the cost at Omaha $52 per ton. The result from 100 tons of old rail sent to Laramie from Omaha would be as follows:

100 tons old rail, at $21	$2,100 00
Company freight, 573 miles	573 00
Allowing 16 per cent. for shrinkage would give 84 tons rerolled, at $8.50	1,554 00
Company freight on 84 tons, 573 miles	481 62
Cost of 84 tons	4,708 52
Cost per ton at Omaha	56 05

Upon the same basis to renew a ton of rails at North Platte would cost:

If shipped east	$36 64
If shipped to Laramie	28 87½
Cost to renew per ton at Cheyenne:	
If shipped east	41 32
If shipped to Laramie	23 74
Cost at Laramie:	
If shipped east	42 64
If rolled at mill	22 50
Cost at Ogden:	
If shipped east	51 64
If shipped to Laramie	32 55

This comparative statement shows that a vast aggregate saving will be made by the establishment of the rolling-mill at Laramie, even while it is operated by lease to private parties as it is now, and this saving would be enhanced should the company conclude to operate the mill itself, as it should do.

The amount of rail renewed during the year ending June 30, 1875, was 4,640 tons of iron and 1,015 tons of steel.

In the matter of ties a great improvement has been made, as on the western part of the line great quantities of red pine ties are being used, a wood which holds a spike almost equally with oak. On the eastern part of the line oak ties are now to a great extent being used. These ties are being obtained at a cost of about 50 cents each for pine and 80 for oak.

The Dale Creek bridge, the largest wooden structure on the line, is to be replaced by one constructed of iron, the contract for it having been let, and it is expected to have it in position before the close of the present year.

There have been, and will be, placed in position during the year, iron bridges as follows:

Two bridges, each 107 feet long, at a cost of	$9,514 66
One bridge, 102 feet long, at a cost of	4,083 20
One bridge, 64 feet long, at a cost of	4,736 00
	18,333 86
Masonry for above	29,200 00
Masonry for other bridges	6,500 00
Total	54,033 86

We give here a statement of extraordinary expenditures upon Union Pacific railroad for year ending June 30, 1875, which have been included in operating expenses:

Tenement-houses and hotels:		
Eating-house at Rawlins	$9,959 78	
Eating-house at Sidney	271 30	$10,231 08
Station-houses:		
Depot at Omaha	73,108 44	
Depot at Cozad	965 92	74,074 36
Tanks and water-works:		
Tanks, &c., at Omaha	2,004 94	
Tanks, &c., Dale Creek	1,438 01	3,442 95
Shops and machinery:		
Scrap furnace and hammer, Omaha	14,432 94	
Rolling-mill at Laramie	188,293 93	202,726 87
Rights of way and land damage:		
Land at Laramie	2,000 00	
G. M. Dodge, for right of way at Council Bluffs	549 19	
Land damage near Ogden—arbitrated by J. Sharp	15,930 89	18,480 08
Engine equipment:		
Seven Taunton locomotives, freight on same to Omaha, and fitting for service		83,088 06
Car equipment:		
One passenger car returned by Colorado Central	3,600 00	
Twenty-five Pennsylvania Railroad cars, and freight on same to Omaha	48,197 50	
Ten second-class cars	35,670 00	
Ninety-six box cars	79,200 00	
Four fruit cars	7,449 37	
Twenty coal cars	16,928 05	
One derrick car	2,787 08	
	193,832 00	
Less exchange of car with Colorado Central	1,000 00	192,832 00
Total		585,025 40

The improvements which we would recommend as next to be effected are the construction of a more substantial, commodious, and convenient passenger-house at

Ogden, cutting down Aspen Hill, and by widening cut do away with large snow shed at that point, thus saving largely and constantly in power, and expense of protecting the road; take out the shale cut at Green River, and reduction of the Elk Horn Hill about 10 feet at the summit. These improvements, we are assured, are all contemplated by the company; but they should not be long delayed, upon economic grounds if none other.

The business of the road for the year has been very satisfactory. It was feared last year that the general depression which had fallen upon the business of the country would seriously and unfavorably affect the earnings of the road for the year upon which we are now reporting. The fears entertained seem now to have been groundless, as will appear from the comparative statement of the earnings and expenses for the years 1874 and 1875, as follows:

	Year ending June 30, 1874.	Year ending June 30, 1875.	Increase.
EARNINGS.			
Passengers:			
Cash	$3,541,633 57	$4,149,648 40	$608,014 83
Government	208,364 55	259,317 75	50,953 20
Mail	325,143 00	325,114 00	*29 00
Express	336,192 98	433,340 77	67,147 79
Freight:			
Cash	4,933,664 61	5,142,883 94	209,219 33
Government	225,545 69	297,179 20	71,633 51
Company	513,513 71	624,574 45	111,060 74
Car service	†6,953 12	5,988 35	12,941 47
Miscellaneous	122,791 47	260,459 67	137,668 20
Rent of buildings	16,863 70	23,515 01	6,651 31
Total earnings	10,230,666 16	11,522,021 54	1,275,389 38
EXPENSES.			
Conducting transportation	770,381 07	875,237 63	104,856 55
Motive power	1,662,771 98	1,721,963 39	59,171 41
Maintenance of cars	432,769 03	563,416 09	130,647 06
Maintenance of way	1,865,729 98	1,725,605 86	*40,124 12
General expenses	380,748 19	447,298 41	66,550 22
	5,112,400 25	5,333,521 37	401,349 36
Surplus fuel and material accounts	22,611 08	59,865 50	37,254 42
Total expenses	5,089,789 17	5,373,655 87	283,866 70
Less amount expended for depots, shops, equipment, &c., such as were charged to construction before October 1, 1874	....	585,025 40	585,025 40
Expenses	5,089,789 17	4,788,630 47	†301,158 70
Net earnings	5,156,970 99	6,733,391 07	1 576,420 08
Expense ratio, per cent	49.67	41.56	....

* Decrease. † Paid.

The transportation of cattle over the road is rapidly increasing, and illustrative thereof we give the following statement of stock shipments from points on the Union Pacific Railroad to Omaha from January 1 to August 31, 1875.

	January.	February.	March.	April.	May.	June.	July.	August.	Total.
Ogden	1	....	....	....	....	....	....	....	1
Evanston	....	12	....	....	....	....	....	....	12
Laramie	....	....	....	....	....	2	....	8	10
Cheyenne	2	....	....	....	....	....	36	147	185
Pine Bluff	....	....	....	....	....	....	18	48	66
Sidney	....	....	....	....	8	2	....	....	10
Julesburg	13	....	....	....	....	....	34	49	96
Ogalalla	....	....	....	....	....	....	15	66	81
North Platte	....	....	....	1	....	....	40	9	50
Plum Creek	....	....	....	....	....	5	....	....	5
Kearney	....	....	....	....	....	....	24	17	41
Fremont	....	....	....	3	2	....	2	2	9
Valley	....	....	....	....	1	1	....	....	2
Elkhorn	....	....	1	3	1	....	....	1	6
Papillion	....	....	....	4	2	....	1	....	7
	16	12	1	11	14	10	170	347	581

Comparing the two heaviest months in this table with the corresponding months of last year we have the following result:

July and August, 1875, total number of cars	517
July and August, 1874, total number of cars	255
Increase for 1875	262

The herds on the plains of the Platte are constantly increasing, while the aggregate number of cattle is becoming fabulous. The plains west of Kearney Junction will soon become one of the chief sources from which the Eastern markets will be supplied with beef cattle. These plains furnish unsurpassed grazing range, and the lands belonging to the Government and to the company ought to be placed under some well-devised system of pasturage from which profit could be secured to both. We would respectfully call attention of the Government and the company to this exceedingly important subject, hoping that some system may be devised whereby the growth of cattle may be fostered and the lands made immediately remunerative.

We have expressed our views fully in former reports relative to the fuel question. We have little to add thereto. We have not changed our views as to the policy which should be adopted by the company in the treatment of this question, if it can rid itself of the mistaken and mischievous contract made between it and the Wyoming Coal and Mining Company. This contract is now in course of judicial determination in the courts, where we must leave it until a conclusion shall have been reached therein.

The production of coal at the company's mines during the year was as follows:

	Production.	Cost per ton.
	Tons.	
At Carbon	78,534	$2 04½
At Rock Springs	107,147	1 95¾
Total	185,681	
Average		1 99¼

There were mined at Almy 33,898 tons, at $2 per ton by contract.

The foregoing tables of earnings and expenses for the year ending June 30, 1875, show net earnings, after paying operating expenses, amounting to $6,733,391.57. Deducting from this the interest on the first mortgage bonds with gold at 14 per cent., $1,862,977.42, we have $4,870,414.15, on which, according to the basis we have heretofore reported, the Government is entitled to receive 5 per cent., making due the Government for the year the sum of $243,520.70.

The company deny the correctness of the rule here adopted, and claim that the decision of the Supreme Court of the United States in St. John *vs.* The Erie Railway Company justifies them in resisting the demand of the Government for the payment of 5 per cent. until all obligations of the company shall have been discharged or deducted, and the 5 per cent. be assessed upon what may be thereafter left for division to the stockholders as dividends. Of this we will say more hereafter.

At the May term, 1875, of the circuit court of the United States for the State of Iowa, it was decided that the eastern terminus of the Union Pacific Railroad is on the Iowa side of the Missouri River, and a decree was entered requiring the company to operate its line as a continuous road from the said terminus. The company appealed the case, and it is now pending in the Supreme Court of the United States.

Our views, expressed in former reports, relative to the desirability of a localized management, have undergone no change. Indeed, they have been rather strengthened by the fact. Owing to the personal attention which the present president of the company has given to the road during the time he has occupied said office, many desirable things have been done and are being done, which, doubtless, would have remained undone for indefinite periods had it not been for his more than usual attention to and contact with the line.

The president of the company in his report to the stockholders at their last annual meeting in March, 1875, made this very significant statement, viz:

"An important consideration for the stockholders of this company, and one which should not be lost sight of, is that while most of the great railway enterprises of the country have been largely increasing their bonded obligations, this company has steadily pursued a directly opposite policy, having actually reduced its land grant bonds during the year $678,000, and upward of $2,600,000 since the completion of the road.

We see no reason why this reduction of the bonded debt of the company should not be a steadily continuous and increasing operation. For there is one fact peculiar to this company, and that is, that its road has now a capacity for doing over double its present volume of business without any considerable additional expenditure or which may not be met by its increasing revenues, and without any increase of its bonded indebtedness. There is not a division on the line which cannot promptly handle more than twice the business now passing over it without any expenditure for additional track, turn-outs, sidings, &c., so that the traffic of the road may be increased until the earnings thereof shall reach more than $20,000,000 per year without any call for expenditures demanding an increase of the bonded debt of the company. There is probably no other trunk line in the country of which the like can be said.

On the 9th day of February last the President of the Union Pacific Railroad Company addressed the following communication to the Secretary of the Treasury, viz:

UNION PACIFIC RAILROAD COMPANY,
New York, February 9, 1875.

SIR: The existing relations between the Government and Union Pacific Railroad Company are such as benefit neither party, and tend continually to the injury of both.

The Government, in prosecution of what it deems to be its just rights, has instituted legal proceedings against the company for claims of different origin and widely different character, and those claims are about to undergo, or have already undergone, judicial determination. Nothing can be more distasteful to the company than to have even the appearance of resisting a just demand of the Government. The directors, speaking for the stockholders, recognize and fully appreciate the great and generous aid extended by the Government to this magnificent enterprise, and it is their wish to do everything in their power to reimburse to the Government so far as they can, and as speedily as may be, every dollar advanced from the national treasury. The company also feel very keenly the disadvantage they incur, both in popular esteem and pecuniary resources, by being in seeming conflict with their great benefactor, the Government, and it is their most earnest desire to do everything they can to establish such relations of mutual trust and confidence as will best secure the demands of the Government, and at the same time promote the prosperity of the company. And by promoting the prosperity of the company I do not mean simply the enhancement of the value of property, but such extension of its uses, resources, and facilities as will most rapidly develop the great national domain, which it traverses for a thousand miles; and I would respectfully call your attention to the important fact that this great domain cannot be developed without increasing in value immensely the Government land along the line of the road, and in addition increase the area of taxable property, a matter of vital importance to the whole country. The mortgage held by the Government, in its terms and by judicial decision of the United States circuit court, cannot be enforced until the maturity of the bonds, which is near the close of the present century. The bonds are accumulating on interest account, also uncollected until the principal is due. Principal and interest when due will amount to the very large aggregate of over $77,000,000, though the actual amount advanced by the Government was only $27,236,512. For this very large amount the Government has only a second mortgage, and if it be allowed to accumulate without any provision being made to meet it, the company will probably be utterly unable to pay it.

At the same time it is equally manifest that the Government will be unable to collect it except upon the assumption that it will advance the money to discharge prior mortgages and run the road on Government account, a policy which wise statesmanship could not advise. By standing still, therefore, the company has a load of debt accumulating for which no provision is made, and the Government is drifting farther and farther from the opportunity to secure a just return for its advances. To do nothing is to injure both the Government and the company, perhaps irretrievably to both. In this dilemma I venture to make a proposition which offers on the part of the company all it can possibly do, and secures to the Government a substantial return for its advances. It is as follows:

The Union Pacific Railroad Company propose to pay into the Treasury of the United States $500,000 per annum on each 1st day of July, beginning with 1875, and to continue this payment for twenty years, and thereafter, on each 1st day of July, the payment shall be $750,000; and the money so paid in shall be held by the Secretary of the Treasury as a sinking fund to the credit of the Union Pacific Railroad Company, specially devoted to the extinction of the Government mortgage, interest thereon to be reckoned at 6 per cent. per annum, lawful money, payable semi-annually, and the accruing interest each half year to be carried to the account of the sinking fund to the credit of the Union Pacific Railroad Company. And this annual payment by the Union Pacific Railroad Company shall be continued without delay or default until the amount to the credit of the company in the hands of the Secretary of the Treasury shall be equal to the full amount of the Government mortgage, reckoned at simple interest to same date, the Government lien now existing to remain as security for the discharge of this obligation, and to be canceled when this sinking fund thus created shall equal the mortgage of the Government, reckoned at simple interest, at which time said sinking fund shall be transferred to and shall rest in the United States, and this payment shall be in full discharge of all obligations due from the company to the Government.

Should this suggestion meet with your approval, I would respectfully request, on behalf of the company, that you lay the matter before Congress, with such favorable recommendation as you may deem expedient.

The proposition is made with the sincere desire on the part of the company to respond most honorably to all obligations, and with the confident hope that the Government will accept it as the very largest annual amount which the company can safely agree to pay.

In addition to the substantial, complete, and final reimbursement thus proposed by the company, you will permit me to remind you of the vast saving to the national Treasury which has been effected by the construction of the Union Pacific Railroad. The former cost to the Government for transportation of troops and of quartermaster's commissary and ordnance stores, and the carrying of the United States mails and of Indian supplies across those vast plains and over the mountain ranges, was very great, involving an outlay of many millions annually. The same service at the railroad company's current rate of charges is now done with a saving to the Treasury, according to the official statements of Executive Departments, of well-nigh $2,000,000 annually, to say nothing of the superior safety, promptitude, celerity, and certainty with which it is accomplished. Indeed, it is no exaggeration to say that if the Government should forfeit all it advanced towards the construction of the road, it would still realize large annual gain from the economy it has been enabled to effect in the different branches of the public service to which I have referred.

I adduce these facts, fortified as they are by the report of the Government directors, to show that the Government, after it receives a reimbursement of its direct pecuniary advances, will still have left an enduring source of profit to the Treasury, and consequent relief to the taxpayer, in the very large amount that will be annually saved by the transportation facilities which this great line of railway will always afford.

With great respect, your obedient servant,

SIDNEY DILLON,
President Union Pacific Railroad Company.

Hon. B. H. BRISTOW,
Secretary of the Treasury.

This proposition was subsequently modified by a communication which reads as follows, viz:

SIR: The Union Pacific Railroad Company begs leave to submit the following amendments to its proposition of February 9, 1875, viz:

(1) The sum of about $800,000, now in the United States Treasury, claimed by said company to be due it for transportation and mail service, together with interest at 6 per cent. per annum, to be computed every six months on such part of the said sum as was due on the 1st day of January and July of each year, during its accumulation, to constitute a sinking fund to the credit of the Union Pacific Railroad Company, as is hereinafter more fully set forth.

(2) The company to pay into the Treasury of the United States $500,000 per annum, in semi-annual installments of $250,000 each, payable on the 1st of January and July of each year, for the period of ten years, commencing on the 1st of July, 1875; seven hundred and fifty thousand dollars per annum, in semi-annual installments of $375,000 each, payable on the 1st of January and July of each year, for the period of ten years, commencing on the 1st of July, 1885; and $1,000,000 per annum, in installments of $500,000 each, payable on the 1st day of January and July of each year, commencing the 1st day of July, 1895.

And the money so paid in, together with the sum now in the Treasury, referred to in the first paragraph above, shall be held by the Secretary of the Treasury as a sinking fund to the credit of the Union Pacific Railroad Company, specially devoted to the extinction of the Government mortgage, and the interest on said money so paid into said sinking fund shall be reckoned at 6 per cent. per annum, payable semi-annually, and the accruing interest each half year to be carried to the account of the sinking fund, to the credit of said company. And the annual payment by the Union Pacific Railroad Company shall be continued without delay or default, until the amount to the credit of the company in the hands of the Secretary of the Treasury shall be equal to the full amount of the Government mortgage reckoned at simple interest to the same date, the payments to be made upon the terms and conditions set forth in said proposition of February 9, 1875.

(3) The Government to retain each year, and credit to the company on account of the payments to be made to it as aforesaid, the moneys due the said company for transportation and mail service, to the amount of such payments as above stipulated, any deficiency to be made good by the company.

(4) The aforesaid payments to be in full settlement of all claims and demands by or on behalf of the Government against said company.

I am, very respectfully, your obedient servant,

SIDNEY DILLON,
President.

The SECRETARY OF THE TREASURY.

We do not assume that it is the right of Government directors to volunteer advice to the Government as to what action it should take relative to these propositions; but as the subject presented by them is of the highest importance as affecting the pecuniary interest which the Government has in the road, and as we have given to it a careful consideration, it may not be deemed presumptuous, and, indeed, may not be regarded as improper, for us to communicate our views touching the same or even to venture so far as to state opinions relative thereto.

It is not our purpose to favor or oppose herein any proposition in detail, but to leave the details of any adjustment of the conflicting views now existing between the Government and the company to such negotiations as may be had between them, the result, whatever it may be, being necessarily left to the approval or disapproval of Congress.

It has been our aim to represent, at all meetings of the board of directors of the company, the views, policy, and purpose of the Government relative to its rights to reimbursement, even though in some instances our judgments may not have given entire approval to the particular means adopted for its enforcement. The right of the Government to entire reimbursement for its advance of bonds in aid of the construction of the road is, in our judgment, perfect. Concerning the enforcement of this right, in manner and time, a wide difference of opinion exists between the Government and the company. Can this difference be reconciled and harmonious relations established between the two parties in interest without substantial injury to either? This is a plain, practical business question, which may not be difficult of solution if approached and treated as such questions should be. There is nothing suggested by it which should excite either prejudice or alarm. It invites the same careful consideration and prudent action which successful men give to their private affairs—nothing more, nothing less.

To treat the subject intelligently, we must ascertain the positions occupied by the respective parties relative to the obligations created by the legislation under and in pursuance of which the Union Pacific Railroad was constructed. This done we have at once disclosed the cause and character of the conflict of opinion now existing between the parties, and may then form a judgment more or less accurate of the probability of effecting a harmonious adjustment of the same.

The Government advanced in bonds to the Union Pacific Railroad Company, as aid in construction of its road, $27,236,512. These bonds are to run thirty years from date of issue. If no current reimbursement should be made to the Government by the company, the principal and interest at the maturity of the bonds would amount to about $77,000,000. This would be the amount due from the company to the Government at that time. This the Government asserts and the company admits. There is no disagreement here. The disagreement arises in the mode and time of reimbursement.

In the sixth section of the act of July 1, 1862, it is provided that—

"After said road is completed, until said bonds and interest are paid, at least 5 per centum of the net earnings of said road shall also be annually applied to the payment thereof."

What are net earnings? In their answers to this question the Government and company are widely apart. Representing what we understood to be the Government's construction of the law above quoted, we have claimed that net earnings are such as are left after paying the operating expenses of the road, and deducting from the remainder the interest on the first-mortgage bonds, the Government having subordinated its lien to that of the holders of the said bonds. The position of the company relative to this question may be best ascertained by the following extract taken from the last report of the president of the company to the stockholders at their meeting in March last. We quote as follows, viz:

"The law having provided that the Government shall be entitled to receive 5 per cent. of the net earnings of the road after its completion, and the Government, having, as above stated, determined that the road was completed are the 1st day of October, 1874, the question arises:

"What constitutes net earnings?

"The Supreme Court of the United States has answered this question. In Saint John *vs.* The Erie Railway Company, that court held that net earnings are such as are left to the stockholders after the payment of all just and lawful charges against the company. It is stated in the opinion of the court that the 'lexical definition of *net* is clear of all charges and deductions."—(*Webster.*)

"That which remains after the deductions of all charges or outlays are net profits."—(*Worcester.*)

"The peculiar acceptation of the term is the same.

"This reduces the question of net earnings to absolute certainty. Whatever this company has left of its earnings after payment of all its just and lawful obligations is net earnings, and of this amount the Government claims that it is entitled to 5 per cent. since the completion of the road, a date fixed as the 1st day of October, 1874. Hence there is no longer any ground of disagreement between the Government and the company as to what constitutes net earnings, and the date from which the former is entitled to demand 5 per cent. of the same, if at all. Whether or not the 5 per cent. liability is now obligatory on the company is not deemed essential to discuss. It is sufficient to say that eminent counsel are of the opinion that this part of the act of 1862 is repealed; and the decision of Judge Hunt that the legal construction of our charter must on doubtful points be construed in favor of the company, seems to give great force to the opinion that no such obligation now exists."

The date from which the road is to be treated as completed is also a matter of dispute between the Government and the company, the former claiming that it should date from the connection of the Union Pacific and Central Pacific tracks in 1869, and the latter that it should date from the 1st day of October, 1874, in pursuance of the following conclusion of the report of a commission appointed by the President of the United States to examine and report relative to the completion of the road, viz:

"This commission has therefore decided that the road was completed as required by law by the report of the former commission, and to comply with the instructions of the Interior Department, October 1, 1874, at a total cost of $115,214,587.79, as shown by the books of the company."

The position of the company concerning this conclusion of the said commission is thus stated in the last annual report of the president of the company, viz:

"That report was approved by the Government, and since such approval, and only since then, has the road been deemed and held to be completed. This action of the Government was highly important in several respects. It settled finally, authoritatively, and definitely the question of the road's completion; it removed the inhibition to the issuance of patents for the lands granted to the company, and they are now being issued as rapidly as required by the company, and it fixed the date from which the Government is entitled to secure from the company 5 per cent. of its net earnings, under the sixth section of the act of July 1, 1862, which provides that 'after said road is completed until said bonds and interest are paid at least 5 per centum of the net earnings of said road shall also be annually applied to the payment thereof.'

"This entire subject is now in the courts for adjudication, the Government having commenced an action against the company for the recovery of the 5 per centum alleged to be due under the Government's construction of the act aforesaid."

The sixth section of the act of July 1, 1862, also provided that—

"All compensation for services rendered for the Government shall be applied to the payment of said bonds and interest until the whole amount is fully paid."

This was amended by the act of July 2, 1864, which, in section 5, provides that—

"Only one-half of the compensation for services rendered for the Government by said company shall be required to be applied to the payment of the bonds issued by the Government in aid of the construction of said roads."

As one of the results of the Credit Mobilier investigation this provision of the law was amended, and the Secretary of the Treasury was directed to retain in the Treasury all earnings on Government account. The same act authorized the company to commence a suit in the Court of Claims to determine the right of the Government under this act to retain more than one-half of the said earnings, as provided in the law under which the bonds were advanced and the road built. The case of the Union Pacific Railroad *vs.* The United States, was instituted in the Court of Claims for the recovery of one-half claimed to be due to the company on account of Government transportation. The case has been decided in favor of the company, and the judgment rendered in its behalf for $512,632.50. From this judgment the Government has appealed to the Supreme Court of the United States, where the case is now pending. We here quote a portion of the opinion of the Court of Claims, for the purpose of showing the position in which this whole question is now placed:

"Moreover (and this is the chief point in the case), the statute makes no distinction between principal and interest, nor indicates in any way that the debt for the one shall mature at a different time than the debt for the other. Furthermore, a previous section of the statute declares that for 'the amount of said bonds, together with all interest thereon, which shall have been paid by the United States,' they shall constitute a mortgage upon the road. In the present predicament of the transaction, the Government is largely in advance for interest; and there at first appears to be no consideration received which should bind it to suffer a serious if not disastrous loss. But if we reverse the condition of affairs it will be seen that a similar loss would fall upon the company, and a corresponding gain inure to the Government. That is to say, if the Government had required a larger amount of transportation, and the net earnings had greatly exceeded the reality, so that the two more than equaled the interest, then the company would be paying off the principal of its ultimate indebtedness to the Government long before the Government would be paying its debts to the bondholders. And as the company had mortgaged its road 'to secure the *repayment*' '*of the amount of said bonds*,' '*together with all the interest thereon which shall have been paid by the United States*,' a corresponding loss of interest upon interest would fall upon it. Now, when the statute has provided two sources for the payment, not only of interest, but of a great deal more; that is to say, of a portion of the principal before it becomes due, what reason can there be for the judiciary to interpolate, by mere construction, a third source into the statute? Assuredly none. If the statute had stopped with the interest, and had provided that the remainder, if any, of the transportation moneys, and five per centum should be paid to the company, there would be good reasons for saying that a reciprocal obligation was implied, and that the company should be held liable to make the interest account whole. But, in the plight which Congress has placed the reciprocal and intermingling rights and interests of the parties, we perceive no reason why the Government should call the varying balance of its advances a liquidated present debt, subject to immediate collection.

"But beyond the confines of all disputed construction, there remains one uncontroverted provision in the statute, which seems decisive of the legislative intent. The only party to whom an option was reserved by the act is the Government, and that option is the important right of making the company's services as little or as great as it pleases. If it requires these services the company cannot withhold them; if it refuses all employment the company cannot exact it. As the compact originally stood the Government could keep down this interest without the expenditure of any ready money by simply furnishing to the company this employment, and it might push the advantage to an unlimited extent, even to carrying the earnings of the road to the liquidation of the debt before it had matured. The subsequent statute which substituted a half for the whole of the earnings did not affect the legal import of the Government's reserved discretion nor change the legal relations of the parties nor vary the construction applicable to the original statute. It was an alteration in degree, and not in kind, and still left the company in this matter of service entirely subject to the orders of the Government. In contemplation of law, the wrong and injury of which the Government complains are entirely of its own choosing. Courts of law cannot be invoked to aid persons where they themselves possess the means of redress. If an ordinary party were to come into another court with such a complaint he would be told, 'Either you have willfully withheld this employment from the other contractor or you have been unable to furnish it to him. If the former supposition is the fact then the fault is your own, and you cannot ascribe wrong to one whom you confess has always been willing to repay you in the manner which your agreement prescribes. If the latter is the fact, then, because the sources of payment which you provided disappoint you, and because the payment in kind, which you elected to take, gives you more of the transportation service than you really require, you are trying to shift your loss to other shoulders than your own. Your misfortune is really this, that you made an improvident bargain.'

"The judgment of the court is that the claimant recover of the defendants the sum of $512,632.50, and that the counter claim of the defendant be dismissed."

The company claims that the doctrine of this case evidently is that there is nothing due to the Government from the company on account of either principal or interest until the maturity of the subsidy bonds, except one-half of such sum as the Government may create by its demands for transportation, and that, in fact, the only mode of reimbursement now provided by law either before, at, or after the maturity of the bonds is this one-half of Government transportation, which is made by the 10th section of the act of July 2, 1864, to run so long in the future as there may be anything due to the Government, and even as against parties who may become possessed of the road under and by virtue of a foreclosure of the first mortgage, claiming that any other construction leaves nothing for the amendment relative to compensation for services rendered by the Government, contained in the 5th section of the said act to operate upon.

It is clear from the foregoing that, while the Government and the company agree as to the amount which the former has advanced to the latter, and that it must be paid at some time and in some way, they are so far apart as to time and manner of payment that nothing short of the judgment of a court of last resort or a new contract can bring them together.

First, then, as to the judgment of a court of last resort. If that should be with the Government, it still would leave the claim against the company in an unsatisfactory condition. There would still be an annual increase of the company's debt to the Government, and this would go on to the period of the maturity of the bonds, at which time it might exceed $60,000,000. And there would still remain the possible fact that, in order to save its claim or any part thereof, the Government would be compelled to advance the amount of the first mortgage, a result by no means desirable.

On the other hand, if the court should hold with the company, the case would be decidedly worse, as in that event the accumulated debt at the maturity of the bonds would probably be not less than $70,000,000, and might reach a much larger sum.

Secondly, as to a new contract. If the company is correct in its construction of the present law, then the difference between the amount which it offers to pay under the propositions submitted by it, and hereinbefore quoted, and what the Government would receive under said construction, is the difference between simple and compound interest. If the interest which the Government pays on the subsidy bonds is not a semi-annually maturing debt against the company, then, such amounts as the company should semi-annually pay in excess of what the Government is entitled under the present law to demand, would be in the nature of a loan to the latter by the former, and would very properly bear interest, and if the interest should not be paid, there is no impropriety in allowing interest thereon. This would reduce the difference to interest simple and compound on the amounts which the Government may now rightfully demand of the company.

If it were not for this seeming loss arising from the interest account, no one, doubtless, would hesitate to recommend an acceptance of some such proposition as the company presents. Is there anything in the case to counterbalance this seeming loss? In our report for the year 1874 we discussed the incidental advantages derived by the Government from the construction of the Union Pacific Railroad in the matter of transportation. We make the following extract from that report, viz:

"Suppose that it (the company) should not in whole, as it has not in part, pay the interest on the Government bonds issued in aid of its construction, nor provide for the payment of said bonds at their maturity, what then? What is the worst of the case? Two Departments [illegible]he Government have furnished answers to this question.

"The Postmast[illegible]neral stated, in a communication to the House of Representatives, in answer [illegible] a resolution of inquiry adopted by that body, that for mail service rendered by the Union Pacific Railroad Company for the years 1867 to 1872, inclusive, the Government had paid $1,156,138.73, and that had the road not been constructed it would have paid, for the same service, over the routes merged into this one, for the same time, $1,799,718.23, being a saving, calculated on the basis of pounds transported by stage, of $107,263.25 per annum; but in addition to this direct saving, the Postmaster-General states in said communication that it should be borne in mind that the mail service by the railroad route between the Missouri River and the Pacific coast is incomparably superior to the previous service. Under the contracts which expired in 1868, the schedule time for a trip from Atchison, Kans., to San Francisco, Cal., was sixteen days for eight months, from April to November, inclusive, and twenty-four and a half days the residue of the year. By the railroad route the time, the year round, is less than four and a half days. The average amount of matter conveyed in the mails overland before the completion of the railroad was less than a thousand pounds per day, the paper mails being mainly forwarded via Panama in consequence of the exaction of prepaid letter-postage rates on such matter conveyed between the western boundary of Kansas and the eastern boundary of California, under the 4th section of the act of March, 25, 1864; now, that section having been repealed from the 30th of September, 1868, by the act of June 25, 1868, the whole letter and paper mails are carried overland, averaging, in March, 1870, on the Union Pacific Railroad, 6,376 pounds per pay, and on the Central Pacific, 5,308 pounds per day. The railroad companies provide, moreover, first-class cars, 48 feet in length, with all the necessary fixtures and furniture, in which railway post-office clerks, appointed by the Department, accompany and distribute the mails, while in transit, in all respects as if in local distributing post-offices, by which means the detention of mails in such offices is avoided, and the greatest practicable expedition secured.

"On the 31st day of January, 1873, the Secretary of War communicated to the House of Representatives of the Congress of the United States, in answer to a resolution of that body, a letter of the Quartermaster-General of the Army of the United States, M. C. Meigs, from which it appears that the construction of the Union Pacific Railroad had saved the Government large sums in that department of the public service, making a large average saving on several routes of transportation thereto used. He states the case thus:

"'At this average rate, the estimated cost of transportation of the freight moved by the Union Pacific Railroad, including express charges as shown above, during the time commencing July, 1866, and ending January 28, 1873, would be as follows:'

Rate per 100 pounds per 100 miles, railroad rates	$0 40¼
Rate per 100 pounds per 100 miles, wagon rates	1 46
Actual cost of freight at railroad rates	1,896,589 57
Estimate of cost at wagon rates	6,837,088 32
Showing a total estimated cost for moving the troops and supplies by stage and wagon of	9,850,134 67
Total actual cost by railroad	3,342,851 82
Estimated difference	6,507,282 85

Equivalent to about 66 per cent.

"From these statements it appears that the saving to the Government to June 30, 1872, upon the transportation of postal matter alone, by reason of the construction of the Union Pacific Railroad, amounted to $643,579.55. Upon the same basis the saving to the Government from this source to September 30, 1874, amounted to $1,015,829.90. This statement assumes that the amount or weight carried was only equal to that transported previous to the construction of the road, but in fact the amount by rail has been over six times the amount formerly transported by stage, so that the real saving, taking weight alone as the basis of the calculation, has been about $6,094,979.40.

"The statement from the War Department above cited shows that the saving upon military transportation to June 30, 1872, was $6,507,282.85, and upon the same basis the saving to August 31, 1874, would have been $8,462,107.76.

"Thus it appears that during the past two years, or since June 30, 1872, the saving to the Government in the transportation of postal matter, of troops, stores, &c., has been at the rate of $1,894,894.40 per annum.

"The case comes to this:

Allowing that there will be no increase in amounts carried from year to year, the saving during the thirty years (being the term for which the Government bonds were issued in order to secure the construction of the road) would amount to		$56,846,832
The Government has advanced in bonds at 6 per cent	$27,237,000	
Interest on same for thirty years, at 6 per cent	49,026,600	
		76,263,600
		19,416,768

From this statement it appears that the incidental saving to the Government falls short of the entire amount advanced by it to the company, including principal of bonds, and interest for the entire period of thirty years, only $19,416,768. As has been said, this calculation is based upon the supposition that there will be no increase of Government transportation over the road. Nor does it include any of those great economic advantages arising from the settlement of the country and the development of the mining and other resources throughout the vast regions tributary to and supplied by the road. Nor does it take into account the great gains arising from speedy military, postal, and commercial communication. In a very imperfect manner does it present to the mind the immense advantage of this great work to the Government and to the people.

The following interesting statement of Mr. Van Dervoort, in charge of the mail service over the line, shows the rapid increase of that service.

SALT LAKE, *August* 7, 1875.

GENTLEMEN: In compliance with your request, I take pleasure in submitting to you a brief statement of the service performed by Omaha and Ogden railway post-office. It is the longest route in the world over which one set of agents run from initial to terminal points. In amount of mail handled it ranks with the greatest lines running through the most populous districts in the country. In variety of foreign mail handled it surpasses any route on the globe; every nationality and clime being represented in the mail passing over this line. At last weighing, in the winter of 1874, the average amount each day for 30 working days was about 10,500 pounds. The estimated amount at the present time is 15,000 pounds daily. We carry all the mail for the Western States and Territories, except Colorado, which is partly handled by Kansas Pacific Railway. Our clerks make up in direct packages for every office in Colorado, Utah, Wyoming, Montana, Idaho, Oregon, and Washington, sending Nevada, part of Arizona, and all of California, to Central Pacific Railway for distribution there. They also make up direct locked pouches for all prominent points in Idaho and Montana. These are sent over the connecting stage routes, and are not opened until they arrive at destination. We also carry through registered packages, envelopes, and post-office supplies for all points west, averaging about 150 packages west and about 160 east each day; also registered boxes of gold coin from San Francisco to New York.

Going east we received all the mail from Pacific Slope and all the Territories, from Australia, and all the Islands in the Southern Pacific, Japan, and China, which is distributed and forwarded eastward from Omaha. We make up for all principal lines and cities direct and send the mail in through locked pouches to destination. This grand road is the shortest route from London and Liverpool to Australia, Van Diemen's Land, New Zealand, Japan, Hong-Kong, and always makes quicker time than the routes previously in use.

The British Government send the greater portion of their Australian mail this way, amounting to about 180 sacks east and 250 west each month.

We have thirty clerks running on the line—two in each car. It takes six days to make the round trip; they then lay off seven, unless the department needs their services during the time stated. The mail is increasing very largely, and the time will soon come when the present force of men and our car room will not be sufficient for the working of this mail.

The present management of the road aid the Post-Office Department greatly in the dispatch and management of the service. During the wash-out last spring, mail accumulated all along the line; but through the energy of Mr. Clark and his subordinates was all forwarded to destination, reaching there at same time as the passengers that left Omaha on same train.

I have written this hastily. If I had more time I could have furnished a more thorough statement, and one that would have given all of us more satifaction. Trusting I have shown you that the magnitude of the mail service is equal to the other branches of business, and hoping that as years go on they will continue increasing,

I am, very respectfully, your obedient servant,

PAUL VAN DERVOORT,
Chief Head Clerk Railway Mail Service,
In charge of Omaha and Ogden Railroad Post-Office.

The Government Directors, Union Pacific Railway.

A study of the subject in all of its relations and effects only tends to dwarf the exhibit made in our last report, as quoted above. Whether or not such incidental advantages as we have noticed, vast as they are in immediate saving and profit, should be considered in connection with any negotiations which may be had between the Government and the company with a view to a definite settlement of existing relations and obligations, we leave to the judgment of those who may act for the Government and to Congress, our sole purpose being to state such facts as occur to us, and such as are calculated to cast light upon the general subject.

The establishment of harmonious relations between the Government and the company, and a definite determination of the obligations and rights of each, is an end greatly to be desired. If this can be done without loss to the Government, all will concede the wisdom of doing it. The propositions of the company open the door to negotiations which may lead to this result; and, notwithstanding the scandals of the past, the fact remains that the Union Pacific Railroad is a vast and valuable property, well cared for and well maintained, and capable of returning to the Government the investment which it has made therein. Inharmonious relations injure all parties concerned. If they can be removed without detriment to the public interest, it does seem that a simple, plain, practical business prudence would demand that it be done. To reach so desirable an end is worthy of an earnest, practical effort. We would not suggest the weakening of any security which the Government now has for a full return of its advances. Whatever new arrangement, if any, shall be made, the provisions of the present laws should be held in reserve, to come again into active force in the event of failure on the part of the company to comply strictly with the new contract.

In conclusion, we repeat that we do not assume it to be our right to advise the Government as to the course which it should take in this matter, but having given the subject our best thought, we can but express the opinion that it is one which ought to receive a calm, practical, thoughtful consideration. No harm can result, while a great public good may be attained.

Respectfully submitted.

JAMES F. WILSON.
JOHN C. S. HARRISON.
FRANCIS B. BREWER.
J. H. MILLARD.
JOHN A. TIBBITS.

Hon. C. Delano,
Secretary of the Interior.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILROAD COMPANY FOR THE YEAR 1876.

Hon. Z. CHANDLER,
Secretary of the Interior:

Sir: The Government directors of the Union Pacific Railroad deem it not unbecoming, in preparing their annual report for submission to you, to mention some subjects not strictly within the line of their statutory duties. It is not their purpose to indulge in unprofitable discussion, but simply to place more fully within the limits of this report than they have in those of former years the great national work with which they are officially connected.

Almost immediately upon the close of the war between the United States and Mexico the subject of more direct and speedy communication with our Pacific possessions attracted serious and widespread attention. The House of Representatives of the Thirtieth Congress appointed a select committee, charged with the duty of investigating the subject and reporting thereon. On February 20, 1849, said committee, through Hon. John A. Rockwell, submitted an elaborate report, from which the following extract is taken, viz:

"The recent acquisition of California and the recognition and establishment of the right of the United States to the Oregon Territory render exceedingly important the question as to the best mode of communication with those immense possessions, the sea-coast on the Pacific belonging to the Union extending through 1,620 miles, and those Territories, with the addition of New Mexico and Texas, including an area of 1,193,061 square miles, equal to 763,559,040 acres. The means of an easy and rapid communication between the two oceans has heretofore been a subject of great interest to the United States, in common with all civilized nations. It has now become a matter of the utmost practical importance, and the duty and necessity of uniting the remote and extended possessions of the country are most obvious and undeniable.

"The various modes of communication which have been heretofore presented to the consideration of Congress and the country are all entitled to most careful consideration, and only those should be adopted which are, by thorough examination, not only ascertained to be practicable, but, on comparison with all the routes proposed, to be the very best."

Among the schemes considered was one presented by Mr. Asa Whitney, who proposed, if accorded the aid which he asked for, to construct a line of railroad from Lake Michigan to the Pacific Ocean. Of this scheme the committee observed as follows, viz:

"The first of these plans which the committee will consider is that of Mr. Asa Whitney, of the city of New York, to which public attention has been called extensively. As the plan has been long before the public, has been pressed with great earnestness by Mr. Whitney, and has received the sanction of the legislatures of eighteen States of the Union, and has been favorably reported upon by committees of both houses of Congress, the committee deem it proper to consider it at length. Aside from the merits of the proposed route, the committee consider the mode proposed for its construction in the highest degree exceptionable."

The report then proceeds to object to the plan in general and in detail. The aid asked for was too great. The route (by the South pass) was impracticable. The line was, in considerable part, too high above the level of the sea. The expense of construction would be too great. The country was not only new, but for hundreds of miles on the proposed line "a perfect waste." There was no fuel on the line. The through business would be very small, and of way traffic there would be scarcely any. The claim of Whitney that travel and freight between China, Japan, India, and Europe could be induced to pass over the line was rejected as wholly unfounded and entirely preposterous. His expectation that the "business intercourse between China and the Atlantic cities of this country" would be over this railroad of Mr. Whitney was most fallacious. The committee were "satisfied that the cost and inconvenience would both be much greater by this railroad line, if ever finished and in full operation, than the present mode of conveyance that not a chest of tea would, in the ordinary course of business, ever be sent from Canton via this railroad to New York, nor any of the ordinary articles of trade between the two countries, and," continued the committee, "if the road were constructed, the annual expense attending the repairs and operation of the road would be enormous. Some of these can simply be mention: The repairs and renewal of engines and cars; the supply of fuel; the establishing and sustaining of workshops at proper intervals; the supply of water at intervals of not exceeding 20 miles, with persons at the stations and buildings, &c., for their accommodation; the removal of snow from the track. The expense of the repairs of railroads varies on different roads. The average annual expense of the Boston and Providence railroad for nine years was $356.48 per mile. Supposing this railroad to be 3,000 miles, and the expense no greater in this wild and savage region than in a civilized country, the annual expense of repairs would be over $1,000,000. How many millions of dollars it would require to meet the annual expenses of such a work the committee cannot, of course say, but they are perfectly satisfied that they would by very much exceed any receipts which would arise from any business on the road at this time or at any period not very remote."

Experience has played havoc with this report of a learned committee. It now takes high rank with the curiosities of legislative literature. It did its appointed work for a time; but as months and years went by, and as Eastern emigration found its way into our Western possessions, developing their wondrous resources and unfolding their fabulous wealth, the reasoning of the report came to be mistrusted and disregarded, and the public sentiment in favor of a railroad to the Pacific forced both of the great political organizations of the country to pronounce in favor of its construction. Then came the war of the rebellion, hastening the nation forward in the great work of connecting the two oceans by rail. Munificent provision was made by Congress for the realization of the grand purpose. Once commenced, the work could not go on fast enough to satisfy the longings of the people for its completion. How strongly the feelings of the people on the western side of the continent were enlisted in the work was very faithfully reported by that conservative observer of times and events, Mr. Samuel Bowles, of Massachusetts. In his book, entitled "Across the Continent," he wrote, under date of August 20, 1865—

"To feel the importance of the Pacific Railroad, to measure the urgency of its early completion, to become impatient with Government and contractors at every delay in the work, you must come across the Plains and the mountains to the Pacific Coast. Then you will see half a continent waiting for its vivifying influences. You will witness a boundless agriculture, fickle and hesitating for lack of the regular markets this would give. You will find mineral wealth immeasurable, locked up, wastefully worked, or gambled away, until this shall open to it abundant labor, cheap capital, wood, water, science, ready oversight, steadiness of production—everything that shall make mining a certainty and not a chance. You will find the world's commerce with India and China eagerly awaiting its opportunities. You will see an illimitable field for manufactures, unimproved for want of its stimulus and its advantages. You will feel hearts' breaking, see morals struggling slowly up against odds, know that religion languishes; feel, see, and know that all the sweetest and finest influences and elements of society and Christian civilization hunger and suffer for the lack of this quick contact with the parent and fountain of all our national life.

"It is touching to remember that between plains and Pacific, in country and on coast, on the Columbia, on the Colorado, through all our long journey, the first question asked of us by every man and every woman we have met, whether rich or poor, high or humble, has been, 'When do you think the Pacific Railroad will be done?' or, 'Why don't or won't the Government, now the war is over, put the soldiers to building this road?' and their parting appeal and injunction, as well, 'Do build this Pacific road for us as soon as possible; we wait—everything waits, for that.' Tender-eyed women, hard-fisted men, pioneers or missionaries, the martyrs and the successful, all alike feel and speak this sentiment. It is the hunger, the prayer, the hope of all these people. Hunger, and prayer, and hope for 'home' and what home can bring them, in cheap and ready passage to and from, of reunion with parent, and brother, and sister and friend, of sight of old valleys and mountains and woods, of social influence, of æsthetic elevation, of worldly stimulus and prosperity. 'Home' they all here call East. It is a touching and pathetic, though almost unconscious tribute. Such an one, 'is going home next spring;' 'I hope to go home another year;' 'When I was home last;' 'I have never been home since I came out;' 'I am afraid I shall never go home again'—these and kindred phrases are current forms of speech. Home is not here, but there. The thought of home is ever rolled, like a sweet morsel, under the tongues of their souls.

"Here is a large appeal, both to the sympathy and foresight of the Eastern States. Here is present bond of union and means of perpetuating it. To build the railroad, and freshen recollection, and renew associations of the original emigrants, and to bind by travel and contact the children here with the homes and lives and loves of their parents there—this is the cheapest, surest, and sweetest way to preserve our nationality, and continue the Republic a unit from ocean to ocean. A sad and severe trial will ensue to the Union if a generation grows up here that 'knows not Joseph.' The centrifugal forces will ever be in hot action between the far-separated Eastern and Western sections of the nation. First among the centripetal powers is the Pacific Railroad, and every year of its delay increases tenfold its burden; every year's postponement weakens in equal degree the influences here by which it shall operate.

* * * * * * *

"Next spring should see as many men at work on the Eastern line as there will be on the Western; the fall, fifteen to twenty thousand along its entire route; 1867 should count fifty thousand shovels and picks and drills, leveling the paths for this national highway; and in 1868 the hungry hearts of these people of the Pacific States should dance to the music of a hundred thousand strong—music sweeter far, and holier even, than that of all the martial bands of the new Republic.

"Men of the East! Men at Washington! You have given the toil and even the blood of a million of your brothers and fellows for four years, and spent three thousand million dollars to rescue one section of the Republic from barbarism and from anarchy; and your triumph makes the cost cheap. Lend, now, a few thousand men and a hundred millions of money to create a new republic; to marry to the nation of the Atlantic an equal, if not greater, nation of the Pacific. Anticipate a new sectionalism, a new strife, by triumph of the arts of peace, that shall be even prouder and more far-reaching than the victories of your arms. Here is payment of your great debt; here is wealth unbounded; here the commerce of the world; here the completion of the Republic that is continental; but you must come and take them with the locomotive."

The spirit of this appeal permeated the whole country. It entered into the constructors of the railroad, and they lavishly and even wastefully applied the means at their command to hasten the completion of the great work. The act of July 1, 1862, required the road to be completed by July 1, 1874. This requirement was anticipated by more than five years. The objections urged in the Rockwell report only excite astonishment that they ever should have been seriously entertained. The Union Pacific railroad traverses that part of the continent which the authors of that report regarded as the most wild, barren, and forbidding, and covers only about two-fifths of the line of which they treated. When they estimated the receipts from the business of the road they included in their calculations a line reaching from the Lakes to the Pacific Ocean. The Union Pacific line eliminates from this calculation the vast empire lying between Lake Michigan and the Missouri River, the enormous business done by the three great trunk lines connecting Chicago with Council Bluffs and Omaha, and the Central Pacific Railroad of California, with its more than $12,000,000 of annual receipts. With this all out of the case there is left to the Union Pacific line alone, results, in gross earnings, operating expenses, surplus earnings, and percentage of expenses for each year since it was opened to traffic, which would have appeared to Mr. Rockwell and his committee as impudent inventions, if presented to them as estimates in support of the Whitney scheme. Said results are here tabulated:

Statement of the earnings, operating expenses, &c., of the Union Pacific Railroad for years ending June 30, 1869, *to* 1876.

Years ending—	Earnings.	Expenses.	Surplus earnings.	Per cent. of expenses.
June 30, 1869	$6,663,851 16	$5,786,443 77	$877,407 39	86.83
1870	8,408,723 24	6,078,932 30	2,329,790 94	72.29
1871	7,240,833 78	3,502,648 49	3,738,185 29	48.37
1872	7,953,014 29	4,291,660 45	3,661,353 84	53.96
1873	9,633,965 09	4,697,999 56	4,935,965 53	48.76
1874	10,246,760 16	5,089,789 17	5,156,970 99	49.67
1875	11,522,021 54	5,373,655 87	6,148,365 67	46.63
1876	12,113,990 69	5,447,819 27	6,666,171 42	44.97

The immense snow-fall which it was predicted would render impracticable the elevated portion of the line, experience has melted away, until it is a less serious obstacle to its operation than are the snows which fall upon the Atlantic coast lines to them. The "perfect waste" which that committee saw teems with farms and villages, and herds of cattle and flocks of sheep, and embraces mineral wealth, developed and undeveloped, beyond computation and almost too great for human belief. From these herds there were shipments of beef cattle over the road, from North Platte station and points west, from June 1 to September 30, 1876:

	No. of cars.	No. of cattle.
North Platte	59	1,180
Ogalalla	193	3,860
Julesburg	186	3,720
Sidney	45	900
Pine Bluff	145	2,900
Cheyenne	296	5,920
Laramie	18	360
Points west of Laramie	71	1,420
	1,013	20,260

The low prices received for beef in Chicago for the two months succeeding these shipments caused the holding back of a large number of cattle which were expected to go forward during October and November. A careful estimate of the number thus held, which would so go forward, fixed it at 500 cars or 10,000 beeves. This amount, added to the foregoing statement, will place the number of beef cattle shipped during the current year at 30,000 head, or 1,500 car loads, against 24,000, or 1,200 car loads, in 1875.

The number of Texan cattle driven to the line of the road during the past season amounted to some 122,000 head, which have been distributed as follows:

Furnished Indians		40,000
Sold to Nebraska herders:		
Beeves	4,000	
Three-year old steers	10,000	
Two-year old cattle	17,000	
One-year old cattle	10,000	
Cows	4,000	
		45,000
Sold to Colorado and Wyoming		37,000
		122,000

From this "perfect waste" and over the line of the Union Pacific Railroad will come, in the long years of the future, the supplies of cheap beef and mutton for the food of the people, and the cheap wool for their raiment. And so, too, where that committee could find no water and fuel the company has discovered an abundance of both, and only during the past year mined for their own use and for general consumption 227,644 tons of coal, at an average cost of $1.65 per ton. From further on the line, where, in the "perfect waste," lie the wondrous mineral deposits of the continent, there comes no small share of the swelling local traffic of the road, a total absence of which was predicted by the committee. The statistics of a single establishment will tend to show the steady increase of mineral production consequent upon the construction of the railroad. The Omaha Smelting and Refining Company commenced operations in 1873.

The following table will show the receipts and shipments for the three years the company has been in operation:

Years.	Received.		Shipments.		Remarks.
	Bullion.	Ore.	Lead.	Gold and silver.	
	Pounds.	*Pounds.*	*Pounds.*		
1873	9,085,234	1,044,827	8,482,386	$1,020,639 54	All from Utah.
1874	14,567,327	2,167,084	13,586,909	1,184,611 34	75 per cent. from Utah, 25 per cent. from Nevada.
1875	25,612,457	420,600	22,524,000	2,252,925 11	63½ per cent. from Utah, 33 per cent. from Nevada, 3½ per cent. from Montana.

This table shows of gold and silver shipped	$4,458,275 99
Of lead	3,121,530 65
Total shipments in three years	7,579,806 64

The great excess of bullion over ore received shows that smelting works in the vicinity of the mines reduce the greater portion of the ores produced, and that the business of mining in the territory tributary to the road has been placed on a substantial and economic footing, which must lead to a vast increase in the volume of results. The actual facts warrant the declaration that the expression hereinbefore quoted—"Here is payment of your great debt; here is wealth unbounded"—was not an unguarded extravagance, but the mere utterance of a palpable truth.

Commerce has its own laws governing its operations and its own ways for reaching its ends. The facts connected with the operation of the Union Pacific Railroad show that these laws and ways override and circumvent the conclusions of grave committees, however dogmatically they may be asserted. In spite of the pronounced opinion of the committee relative to the Whitney scheme, that travel and freight would never seek the railroad across this continent in passing from India, China, Japan, and Europe, and that it was most fallacious to expect that business intercourse between China and the Atlantic cities of this country would be over it, the fact is that such travel, freight, and the mails of most of those countries, and of Australia and all the islands of the Southern Pacific, do seek this route, "the British Government sending the greater portion of their Australian mail this way, amounting to about 180 sacks east and 250 sacks west each month."

The following table shows the amount of tea transported over the line in the years indicated therein:

Date.	Quantity.	Date.	Quantity.
1874.	*Pounds.*	1875.	*Pounds.*
July	1,414,623	July	2,443,010
August	1,529,532	August	1,760,230
September	1,229,197	September	3,198,550
October	1,303,462	October	5,786,200
November	631,720	November	511,300
December	439,295	December	1,338,240
1875.		1876.	
January	427,450	January	1,262,344
February	806,145	February	1,522,079
March	483,085	March	1,227,617
April	658,470	April	370,785
May	129,125	May	290,283
June	702,670	June	3,503,866
Total	9,754,774	Total	23,214,504

Silk, too, seeks this route in increasing quantity, as will appear by the table here given, viz:

Date.	Quantity.	Date.	Quantity.
1874.	*Pounds.*	1875.	*Pounds.*
July	1,260	July	5,925
August	8,417	August	51,125
September	23,572	September	86,415
October	51,429	October	249,837
November	2,200	November	93,000
December	5,900	December	230,632
1875.		1876.	
January	7,900	January	75,862
February	27,960	February	88,096
March	......	March	147,143
April	2,316	April	39,990
May	12,149	May	166,855
June	38,550	June	18,063
Total	181,638	Total	1,252,953

It will be observed that the increase of the two articles named transported over the road in the year ending June, 1876, is very great over the preceding year. For the same time there was passed over the road 1,772,385 pounds of coffee. Of other articles in this international commerce large quantities are transported both incoming and outgoing.

The foregoing observations and illustrations show how little even a committee of the House of Representatives knew of the possibilities involved in the construction of the Pacific Railroad as late as the year 1849, though charged with the special duty of ascertaining all that could be known touching the subject.

And yet the case is not fully comprehended by the nation. There is no good reason why the commerce of the Pacific Ocean should not fall under the control of the United States. The doors are wide open to us, and if we should exercise a politico-commercial sagacity commensurate with the advantages of our position we would close them against all other nations.

The earnings of the road for the year ending June 30, 1876, show a gratifying increase over former years.

The gross earnings for the year indicated were	$12,113,990 69
For the year ending June 30, 1875	11,522,021 54
Increase for 1876 over 1875	591,969 15
Operating expenses for the year 1876, less surplus in fuel and material	5,447,819 27
For 1875	5,373,655 87
Increase for 1876 over 1875	74,163 40
Surplus earnings for the year 1876	6,666,171 42
For the year 1875	6,148,365 67
Increase for 1876 over 1875	517,805 75

Few railroads in the country can make a better showing than this. If such results can be shown in a year of severe and general business distress, what may not be expected with a restoration of public confidence, a revival of trade, and a return of commercial prosperity?

The surplus earnings for the year ending June 30, 1876, being $6,666,171.42, the question arises, What amount of this is the Government entitled to under the 5 per cent. clause of the act of July 1, 1862? Calculated upon the basis heretofore reported by the Government directors, the case would stand thus:

Net earnings	$6,666,171 42
Less interest on first-mortgage bonds, reduced to currency at 9 per cent.	1,781,129 98
Net subject to 5 per cent	4,885,041 44
5 per cent. on this amount	244,252 07

But the company claim that under the decision of the Supreme Court of the United States, in St. John *v.* Erie Railway Company, 22 Wallace 136, it is entitled to deduct all payments of interest, &c.; and this position of the company we understand is supported by a recent decision of the United States circuit court for Iowa in the case of the United States *v.* The Sioux City and Pacific Railroad Company. If this rule should ultimately be approved as applicable to the Union Pacific Railroad Company, then there would remain to be deducted from the above-stated net earnings the sums shown in the following:

Statement of amounts paid for interest on the funded debt of the company for year ending June 30, 1876.

Kind of bonds.	Year to June 30, 1876.
First mortgage, gold interest, equivalent in currency to	$1,802,517 06
Land grant	536,165 00
Income	5,040 00
Sinking fund	1,146,680 00
Omaha Bridge, gold interest, equivalent in currency to	217,446 42
United States	342,409 34
Total	4,050,257 82

This would leave as subject to the 5 per cent. charge for 1876	$834,783 62
Five per cent. of which would be	41,739 18
To this there would be added the item of Omaha Bridge interest (which is carried into another statement), embraced in the foregoing statement, of	217,446 42
Making the total amount subject to the 5 per cent. charge for 1876	1,052,230 04
Making due the Government from that source for the year 1876	52,611 50

The company, however, claim that the 5 per cent. clause of the act of July 1, 1862, is repealed by implication by the act of July 2, 1864, and that, as a consequence, there is nothing due to the Government from that source. The Government directors have not concurred in this construction of said act: but it is a question to be considered in any negotiation between the Government and the company looking to a more definite arrangement for the reimbursement of the former.

The Supreme Court of the United States has decided that the bridge over the Missouri River at Omaha is a part of the main line of the Union Pacific Railroad. The company had heretofore operated it as a structure independent of the main line. The results of such operation for two years are here given in the following:

Statements of the earnings and operating expenses of the Missouri River Bridge for the years ending June 30, 1875 *and* 1876.

Earnings.	Year to June 30, 1875.	Year to June 30, 1876.
Passenger transfer trains	$80,377 41	$81,856 05
Passenger dummy trains	14,144 67	13,442 35
Freight	321,653 54	362,589 91
Mail	4,500 00	3,375 00
Express	6,109 28	5,467 34
Miscellaneous	1,139 00	535 93
Total earnings	427,923 90	467,266 58
Operating expenses	228,068 64	228,299 66
Surplus earnings	199,855 26	238,966 92

This table shows that it was proper to eliminate the interest on the bridge bonds from the deductions made in determining the amount of the 5 per cent. fund under the act of July 1, 1862.

The indebtedness of the company, omitting the floating debt, is presented in the following:

Statement of the funded debt of the company June 30, 1876.

Name of bonds.	Amount issued.	Amount redeemed.	Amount outstanding.	Rate of interest.		Coupons payable.
				Gold.	Currency.	
				Per cent.	*Per cent.*	
First mortgage	$27,237,000	$5,000	$27,232,000	6		January and July.
Sinking fund	14,470,000	144,000	14,326,000		8	March and September.
Income	9,355,000	9,345,000	10,000		10	Last coupon Sept., 1874.
Land grant	10,400,000	2,889,000	*7,511,000		7	April and October.
Omaha bridge	2,500,000	221,000	2,279,000	8		April and October.
Total outstanding			51,358,000			
United States for 6 per cent. currency bonds			27,236,512			
Grand total			78,594,512			

* Against this amount the trustees of the land-grant bonds have on hand—

Land notes	$3,143,918 36
Town lot notes	95,701 09
Cash	104,262 96
Total	3,343,882 41

The land grant will abundantly provide for the payment of the land-grant bonds, and leave the valuable coal and a large amount of other lands to the company. The interest and sinking fund under the bridge mortgage are provided for out of tolls derived from the traffic over the bridge.

The floating debt of the company on August 28, 1876, was $740,153; this includes $82,703.20 of outstanding overdue coupons. Against this the company holds—

Sinking-fund bonds: Amount owned by the company June 30, 1876	$1,530,000 00
United States: Amount due the company for one-half approved accounts for transportation June 30, 1876	1,252,505 92

And interests in several railroads in Colorado and Utah, more or less directly connected with its line, and which will be readily understood from the statements presented, as follows:

Particulars of the company's interest in the Colorado Central Railroad Company, June 30, 1876.

Amount charged for materials, cash, freights, &c		$1,316,401 31
CREDITS.		
110,000 first-mortgage bonds, at 85	$93,500 00	
396,000 first-mortgage bonds, at 80	316,800 00	
2,100 shares stock, at 25	52,500 00	
84,000 Gilpin County bonds, at 80	67,200 00	
		530,000 00
Balance unprovided for, without interest		786,401 31
Overdue coupons, not included in above, gold		234,440 00

The company has sold 50 of the C. C. R. R. Co. first mortgage-bonds, received as above, leaving 456 still on hand; in addition to which they own 600 received through the Colorado Improvement Company, making 1,056 bonds in all owned by the company. Of the stock, the company still owns the 2,100 shares received as above, and also 7,200 shares received through the Colorado Improvement Company, making 9,300 shares in all owned by the company.

Particulars of the company's interest in the Utah Central Railroad Company June 30, 1876.

5,000 shares of stock, at 50	$250,000 00
300 shares of stock, at 90c	27,000 00
Total, 5,300 shares, costing	277,000 00

This stock is in the hands of the company.

Particulars of the company's interest in the Utah Southern Railroad Company June 30, 1876

Amount charged for materials, cash, freight, &c	$813,353 51
CREDIT.	
1,016 first-mortgage bonds, at 80	812,800 00
Balance unprovided for	553 51

In addition to the 1,016 bonds received as above, the company received 121 bonds as a consideration for its interest in the Utah Southern Railroad Company, making in all 1,137 bonds, of which 716 have been disposed of, leaving 421 bonds still on hand.

The Union Pacific Railroad Company has 2,850 shares of Utah Southern Railroad Company stock, upon which 70 per cent. has been paid, and which has cost the company $169,849.32; in addition to which it has 5,000 shares of full-paid stock, which it received as a consideration for its interest in that company.

Particulars of the company's interest in the Utah Northern Railroad Company June 30, 1876

Amount charged for freight, materials, interest, &c	$148,100 00
CREDIT.	
By cash and coupons	73,700 00
	74,400 00
By 93 bonds, at 80 per cent	74,400 00
Overdue coupons	16,625 00

The 93 bonds received as above are in the hands of the company. The company owns 378 shares of Utah Northern Railroad Company stock, received as a consideration for its interest in that company.

The roads in which the foregoing interest have been acquired are all in harmonious connection with the Union Pacific Railroad except the Colorado Central. It was the original purpose to connect the latter road with the Union Pacific at Julesburg, Nebr. This purpose has been abandoned for the present and indefinitely. The Central Company having defaulted on its interest, a proceeding is now pending in the courts of Colorado for foreclosing the mortgage. At the instance of the Union Pacific Company a receiver was appointed, but, owing to local resistance to his authority, he had not succeeded in obtaining possession of the property at date of last advices. It is probable that the legal proceedings pending as aforesaid will result either in the payment of the claim of the Union Pacific Company or of the property passing into the control of the latter company or its assigns.

The Government directors made their annual inspection of the road during the month of August. The road, its equipments, shops, &c., were found in general in good condition, though the western division still showed the effects of the high waters and washouts of the past season. That division is now under the control of a very energetic and competent division superintendent, and will be put in first-class condition. There has been too great reduction of the section gangs, which should be increased by one to three men to the gang on the greater part of the line. In reducing the track force the company has but followed the policy adopted by most railroad companies since the panic of 1873, and the unfriendly legislation of several of the States. There has been a general effort to economize all round, which is well enough in most respects, but in the one indicated it is a mistake.

During the year ending June 30, 1876, rails have been renewed as follows:

	Tons.
Steel	3,197
Rerolled iron	8,760
Total	11,957

Two iron bridges were put in during the year, and there are now eight in the line.

The large wooden bridge at Dale Creek has been replaced by an iron structure of thirteen spans of forty feet each, making a total of five hundred and twenty feet. The cost of the bridge and fill was $41,500. The length of the wooden structure replaced by this bridge and fill was seven hundred and thirteen feet.

The renewal of ties during the year has been:

Of pine	424,210
Of hard wood	61,023
Total	485,233

Commencing on July 1, 1875, dividends have been paid on the capital stock of the company, and a statement of the same is here given, viz:

Capital stock account	$36,762,300

Dividends have been declared on 367,450 shares, as follows:

Dividend No. 1, 1¼ per cent. payable July 1, 1875	$551,175
Dividend No. 2, 2 per cent. payable October 1, 1875	734,900
Dividend No. 3, 2 per cent. payable January 1, 1876	734,900
Dividend No. 4, 2 per cent. payable April 1, 1876	734,900
Dividend No. 5, 2 per cent. payable July 1, 1876	734,900

These sums have all been paid excepting the amounts shown in the statement of the floating debt, viz, $21,124.

The Government directors have not approved the dividend policy of the company. They have held that the amounts heretofore claimed as due the Government on reimbursement account under the several provisions of law establishing and regulating the same should be regularly paid before the declaration of dividends. The decision of the Supreme Court in United States *v.* Union Pacific Railroad Company, 1 Otto, 72, has removed in part the supposed legal support of the position of the Government directors. Indeed, that decision leaves but one question relative to current reimbursement of the Government undetermined, and that is the one arising under the 5 per cent. clause of the act of July 1, 1862. The Government has instituted a suit for the recovery of what it claims should have been paid from that source. If the position assumed by the company should be affirmed by the court in that case, then the only current reimbursement would consist of one-half of the amount to be earned by the company on account of transportation for the Government.

The company has raised a question concerning the transportation of the mails and compensation therefor under the act of 1862. The president of the company addressed to the Postmaster-General a letter, a copy of which is here given, viz:

23 Nassau Street,
New York, September 1, 1876.

Sir: By a recent weighing of the mails transported by the company for your Department, made in February last, the average daily weight for a period of thirty consecutive days was fifteen thousand pounds.

Under contract with the Government (see sec. 6 of the act of 1862), we are required to perform this service at rates of compensation not to exceed the amount to be paid by private parties for the same kind of service. The transportation of express matter is performed on the same trains, viz, passenger trains, and is assumed to be the same kind of service. We have accordingly had a careful computation made of the compensation received for express service, and computing the mail service on the basis indicated gives the annual sum of $596,775, or $49,730.25 per month. Dating from February 1, 1876, we shall charge the Government this sum monthly for mail transportation, in addition to the fares of such employés and mail agents as the Government shall send on our trains. The company believe the Postmaster-General will concede the correctness of the rule we have adopted as to similar kinds of service, inasmuch as the large increase of mail transportation, the increase having been from 6,000 pounds in 1870 to 10,500 pounds in 1874, and to 15,000 pounds in 1876, is drawn largely from the transportation of gold coin and other express matter, which was formerly done by the express department of the company, and is now largely sent by mail in sealed packages. The weight, as ascertained at the last weighing, will be assumed as the daily amount transported, until the Government or the railroad company request a reweighing. We assume this is very fair towards the Government, inasmuch as the mail matter is constantly increasing, as the figures we have alluded to show. The compensation we now propose to charge is less than that allowed us from 1870 to 1874.

Very respectfully,

SIDNEY DILLON,
President.

Hon. J. N. TYNER,
Postmaster-General.

To this letter the Postmaster-General replied as follows, viz:

POST-OFFICE DEPARTMENT,
Washington, D. C., September 8, 1876.

SIR: I acknowledge the receipt of your letter of the first instant, in which you propose to charge for the transportation of mails on the Union Pacific Railroad, Route 34,001, between Omaha and Ogden, and Council Bluffs and Ogden, from February 1, 1876, the annual sum of $596,775.

You state that, assuming the transportation of express matter to be the same kind of service as the transportation of the mails, the sum you name is the result of the computation made on the basis of the compensation received for express service; and you claim that the company are entitled to compensation on such a basis under section 6 of the act of 1862.

I beg leave to say, in answer, that inasmuch as Congress by act of March 3, 1873, as well as by previous and subsequent enactments, has fixed the rates of compensation to be allowed for the transportation of mails on railroad routes, without making an exception to your own or other roads, your company are relieved of the necessity of making any such computation as that to which you refer for the purpose of determining the amount of mail pay to which they may be entitled.

The annual compensation of the Union Pacific Railroad Company for mail service on the route in question, as fixed by the Department, under the act of March 3, 1873, on the basis of returns for thirty days, from 14th of February, 1876, of the weights of mails, the accommodations for their distribution, and the speed and frequency of their transportation, was, from the 14th February, 1876, to 31st March, 1876, $351,016, being $340 per mile for 1,032.4 miles, and from 1st April, 1876 (at which date the route was extended 2.8 miles, so as to commence at Council Bluffs instead of Omaha), to 30th June, 1876, the annual compensation was $351,968, being $340 per mile for 1,035.2 miles. This rate will be reduced 10 per centum under the act of July 12, 1876, making the annual pay $316,771.20 from July 1, 1876.

I inclose a printed circular containing transcripts of paragraphs from the acts of March 3, 1873, and July 12, 1876, relative to compensation for mail service on railroad routes.

Very respectfully, your obedient servant,

JAMES N. TYNER,
Postmaster-General.

Hon. SIDNEY DILLON,
President Union Pacific Railroad Company, 23 *Nassau Street, New York, N. Y.*

To this the vice-president of the company responded as follows, viz:

BOSTON, *September* 16, 1876.

Hon. JAMES N. TYNER,
Postmaster-General, Washington, D. C.:

SIR: Your favor of the 8th instant to Mr. Dillon, our president, was duly received, and in reply thereto I desire to state, that if the several acts of Congress referred to therein have any application to the Union Pacific Railroad Company the conclusions stated by you are doubtless correct.

But, in the judgment of the company, the legislation of Congress in regard to mail service by roads with which the Government has no existing contract cannot, and was not intended to, apply to, or violate, the contract between the Government and this company contained in its charter.

It has been decided by the Court of Claims and by the Supreme Court that the acts of 1862 and 1864 constitute, between this company and the Government, not merely an act of incorporation, but a mutual contract, governing the duties and services to be performed by the company and the rights of both the Government and the company in regard to the application of the sums earned by such service.

No legislation that does not profess in terms to set aside or violate this contract can, it is submitted, be treated by the Department as having that intent or effect, even if such legislation were not void; much less ought general provisions of law, professing merely to regulate mail service by railroads (and so properly applicable to the great mass of such railroads with whom no contract exists), be deemed to have been designed to abrogate a subsisting contract with the Government.

If, upon consideration, the above views shall be found by the Department to be just and proper, may I respectfully ask whether the mode suggested in our president's letter of the 1st instant of arriving at "fair and reasonable rates of compensation not to exceed the amount paid by private parties for the same kind of service" (as prescribed by the 6th section of the act of 1862) is or is not fair and proper?

Respectfully, your obedient servant,

E. ATKINS,
Vice-President.

Here the matter rests as one of the undetermined disputed questions between the Government and the company. The frequency with which these conflicts relative to the construction of the Pacific Railroad legislation have arisen has brought the Government directors to consider whether or not some adjustment of the whole case can be mutually agreed upon by the Government and the company which shall put an end to all controversy between them and settle definitely the manner and time of the Government's reimbursement. It cannot be doubted that such an amicable adjustment would be beneficial to both parties.

The interpretation which Congress put upon the acts of 1862 and 1864, touching the question of reimbursement of the Government, and the amendatory legislation which it enacted relative to that question, have not been sustained by the courts. The inference to be drawn from the decision of the Supreme Court is that material changes in the contract existing under said acts between the Government and the company can be made effective only by the mutual consent of the parties in interest. In any material change both parties must be consulted. It is evident that the present arrangement, as interpreted by the company and as construed by the courts, in so far as they have passed upon it, is not satisfactory to the Government. It is equally clear that it is not promotive of the best interests of the company to be in conflict with the Government. Can an arrangement be made which shall be satisfactory to both, secure the Government against loss, and assure its ultimate reimbursement? Such a result ought to be effected without much difficulty. The Government directors do not doubt that this can be done. Negotiations much more difficult are successfully terminated almost every day in the ordinary business affairs of the people.

The Government advanced to the company to aid in the construction of its road 6 per cent. currency bonds, amounting to	$27,236,512	00
Six per cent. on same for thirty years	49,026,000	00
Total at end of thirty years	76,262,512	00
On the 1st of July, 1876, the company had paid the Government about	3,025,721	60
At the same rate it will have paid, at the end of thirty years, about	10,000,000	00
Leaving a balance due of	66,262,512	00
But the earnings on Government account are increasing. The average for the last two years is	425,872	16
The average for the whole term, to June 30, 1876, was	378,215	20
Increase of average for last two years	47,656	96
At this rate of increase, the twenty years yet to run would give	953,139	20
But an increase of $2,000,000 in the remainder of the term is not an improbable estimate, which would leave the amount due the Government at that time	64,262,512	60

Whatever becomes of this amount, the company must provide for the payment or refunding of the first-mortgage bonds. The lien of these bonds is superior to that held by the Government. It is not practicable for the company to pay the first-mortgage bonds and the $64,262,512 to the Government by the close of the thirty years term. Such a result would be unprecedented in the history of the railroads. It will be necessary to refund a large portion of the debt of the company at the end of the term. It would seem to be wise for the Government and the company to agree upon the establishment of a sinking fund which shall reduce the total indebtedness of the company to the Government at the end of the term to say $25,000,000. This can be done without derangement of the company's affairs, and leave sufficient earnings to provide for reasonable dividends on the capital stock. It does not seem to be wise to reject this element in the case, as property which returns an income on the capital which it represents is always better cared for than that which does not. If Congress should authorize the making of such an arrangement as is here suggested, it is believed that the company will concur, and the result will be that the Government will have all its interest refunded during the term of thirty years and have the principal of the debt reduced $2,236,512. This would leave on the road, at the maturity of the first and second mortgages, about $52,000,000, as the Bridge bonds will have been either wholly paid or such balance of said bonds as may remain unpaid at the time, and the sinking-fund bonds can be provided for by a mortgage on the lands, as the land-grant bonds will have been paid off by sales of lands.

To provide for the $52,000,000 of first-mortgage bonds and balance due the Government, let a new mortgage be authorized by Congress. Let $25,000,000 of the new first-mortgage bonds be placed with the Government as collateral security, to be redeemed as fast as the company can sell them in the market at not less than par and accrued interest, but not in any one year to be less than ten per cent. of the amount, besides paying coupon interest as it matures. There is no ground for reasonable doubt that a first-mortgage long 5 per cent. bond, to the amount of $52,000,000, would be an abundantly safe and popular security.

The Government directors believe that the best interests of both the Government and the company would be promoted by the adoption of some such plan as above suggested. Carry all of the elements of this case into a matter of private business, and there would be little delay in effecting a settlement of it on the basis proposed, or one not materially differing therefrom.

That it would be unwise to allow the claim of the Government to go on accumulating to the end of the 30-year term must be apparent to every mind. So far as the conflicts between the Government and the company arising from their different constructions of the acts of Congress determining their respective rights and obligations relative to a reimbursement of the former have been adjudicated by the courts, the positions of the company have been sustained. If the same result should be reached in future adjudications, it is clear that the ultimate end must be disastrous to the Government. A mutual adjustment of all such controversies, upon the basis of a reasonable and well-ordered sinking fund, will assure the Government against the danger of loss, and at the same time strengthen the credit of the company.

In any view of the case, the construction of the Pacific Railroad was an act of wisdom. The indirect benefits derived by the Government justify its action in this respect. In order to be able to present some of these benefits in this report, the Government directors requested the Secretary of the Interior to obtain for their use certain information from the Secretary of War and the Postmaster-General. The result of the inquiry directed to the Secretary of War is given in the following letter, viz:

WAR DEPARTMENT, QUARTERMASTER-GENERAL'S OFFICE,
Washington, D. C., August 25, 1876.

SIR: I have the honor to return herewith the communication from the honorable Secretary of the Interior, inclosing copy of letter dated August 10, 1876, of Hon. James F. Wilson, one of the Government directors of the Union Pacific Railroad, in which he asks to be furnished with certain information for the use of said directors in their forthcoming report.

The Secretary of the Interior requests that the information to be furnished by the War Department be sent to him at the earliest day practicable.

I find by Mr. Wilson's letter that he desires from the War Department a continuation to the latest practicable date of the statement prepared in this office and submitted to the War Department January 28, 1873, in answer to a resolution of the House of Representatives, passed January 20, 1873, requesting statements of amounts paid to the Union Pacific Railroad for transportation in each fiscal year since June 30, 1866, with an estimate of the amount said transportation would have cost if said railroad had not been constructed.

Accordingly, I shall adopt in this report the same process of arriving at the desired information, continuing the same to the termination of the fiscal year ending June 30, 1876.

I preface this report with the information that the public tariff rates of the Union Pacific Railroad, which are allowed by the United States in settlement for the transportation of its troops and property over the road, have not materially changed since January, 1873, the date of the previous report of this office, and that therefore the rates for railroad transportation stated in that report may at this date be again properly used.

The total yearly allowances to the railroad company for military transportation have been as follows:

Years.	Troops.	Baggage and supplies.	Years.	Troops.	Baggage and supplies.
1866-'67	$73,312 03	$38,135 43	1871-'72	$273,741 98	$204,430 44
1867-'68	191,389 15	780,855 12	1872-'73	121,635 65	24,561 38
1868-'69	106,130 77	372,365 02	1873-'74	31,767 60	20,812 39
1869-'70	300,722 30	187,529 70	1874-'75	532,550 61	317,005 90
1870-'71	396,113 07	304,670 76	1875-'76	215,922 67	141,480 20
Totals		2,246,285 83	Totals		2,391,346 34

In addition to the above, the following amounts have been paid for expressage on paymaster's funds and for telegrams:

Years.	Expressage.	Telegrams.	Years.	Expressage.	Telegrams.
1866-'67		$7 97	1871-'72	$2,509 85	$1,302 81
1867-'68		831 51	1872-'73	1,411 90	82 86
1868-'69		1,185 81	1873-'74		46 16
1869-'70		361 10	1874-'75	2,262 26	
1870-'71	$1,988 43	4,415 77	1875-'76	2,050 96	49 64
Totals		10,313 34	Totals		8,283 63

These amounts, added to the cost for movement of troops, supplies, and baggage, make a sum total earned on all business for this Department from July 1, 1866, to June 30, 1876, inclusive, of $4,643,477.03, of which $1,677,464.50 has been paid in cash, and $1,677,464.54 has been credited to the company, as required by section 5 of the act of July 2, 1864, and $1,288,547.99 withheld from the company, as required by section 2 of the act March 3, 1873 (less $12,752.11 losses on United States property).

The average rates for troops are on through business 5.2 cents, on local business 8 cents, being an average of 6⅗ cents per man per mile.

The average rates per mile for troops by the Overland Stage Company were on through business, 12½ cents, on local rates, 15 cents, being an average of 13¾ cents per man per mile.

Assuming that all of these troops would have traveled by stage, in the absence of the railroad (which is by no means probable), the total estimated cost by stage is shown by the following, based on the average rates above stated: Average rates per man per mile, rail, 6.6 cents; stage, 13.75 cents; actual cost for troops at railroad rates, $2,246,285.83; estimated cost by stage route, $4,679,762.15.

The average rates per 100 pounds per 100 miles charged for freight by the railroad during the same period are on through business, 19 cents, on local business, 62 cents, being an average of 40½ cents per 100 pounds per 100 miles of railroad.

Previous to the existence of the Union Pacific Railroad military supplies were transported by wagon on what was known as Route No. 1, described as follows:

From the Missouri River north of and including Fort Leavenworth and south of latitude 40° north, to all posts and depots in the Territory of Colorado north of latitude 40° north and east of longitude 114° west of Greenwich.

The yearly rates per 100 pounds per 100 miles on this route, until superseded by the railroad, and thereafter on the contiguous route, No. 2, described as follows:

From Forts Leavenworth and Riley and from Kansas City and railroad termini to posts in Kansas and Colorado south of latitude 40° north, and to posts in New Mexico, were as follows, as shown by the contracts for these routes, viz: 1866, $1.45; 1867, $1.64; 1868, $1.99; 1869, $1.55; 1870, $1.18; 1871, $1.21; 1872, $1.17; 1873, 90¾ cents; 1874 to June 30, 1875, $1.05; and July 1 to June 30, 1876, 84¾ cents; being an average of about $1.30 per 100 pounds per 100 miles.

At this average rate the estimated cost of the transportation of the freight moved by the Union Pacific Railroad, including express charges, as shown above, during the time commencing July 1, 1866, and ending June 30, 1876, would be as follows:

Rates per 100 pounds per 100 miles: Railroad rates, 40½ cents; wagon rates, $1.30; actual cost of freight at railroad rates, $2,401,659.68; estimated cost at wagon rates,

$7,709,031.07; showing a total estimated cost for moving the troops and supplies by stage and wagon of $12,388,793.22; total actual cost by railroad $4,647,945.51; estimated difference, $7,740,847.71, equivalent to about 62½ per cent.

I am, very respectfully, your obedient servant,

M. C. MEIGS,
Quartermaster-General, Bvt. Maj. Gen., U. S. Army.

The SECRETARY OF WAR.

Now, while it is true that all of the troops might not have been transported by stage had the railroad not been constructed, it is equally true that the difference in cost has more than been made up by the diminished cost of the military establishment in the vast region of country commanded by the road; and the result presented by the foregoing letter can be safely accepted as being entirely within the truth of the case.

The period covered by the letter constitutes about one-third of the term for which the bonds run that the Government issued in aid of the construction of the road. The estimated saving for that fraction of the term is $7,740,847.71. This will give for the full term of thirty years $23,222,543.13, or within about $4,000,000 of the entire principal of the bonds so issued.

The Postmaster-General responded to the inquiry directed to him as follows, viz:

POST-OFFICE DEPARTMENT,
Washington, D. C., August 21, 1876.

SIR: I have the honor to acknowledge the receipt of your favor of the 14th instant, in which you inclose a copy of a letter addressed to you on the 10th by Hon. James F. Wilson, one of the Government directors of the Union Pacific Railroad Company, asking to be furnished with certain information for the use of said directors in their forthcoming report.

Referring to a statement made in a letter to the Postmaster-General, dated January 29, 1873, addressed to the Speaker of the House of Representatives, of the amount paid for mail service rendered by the Union Pacific Railroad Company for the years from 1867 to 1872, inclusive, compared with the probable expense the same service would have caused if the road had not been constructed, Mr. Wilson says: "It is desired that this statement may also be brought down to the latest practicable date; and inasmuch as the estimate of the Postmaster-General is based on the assumption that the amount or weight carried by the Union Pacific Railroad was only equal to that transported previous to the construction of the road, it is respectfully requested that a comparative statement may also be made to latest practicable date on the basis of the actual amount, character, and weight of mail transported by the railroad, showing saving to the Government on latter basis"; and you request that the desired information may be sent to you.

In answer I have the honor to state that I learn from the Auditor of the Treasury for the Post-Office Department that the Union Pacific Railroad Company have been paid as follows from July 1, 1872, to September 30, 1875, no payments having been made since the latter date:

Fiscal year ending June 30, 1873	$283,855 00
1874	325,143 00
1875	325,206 00
July, August, and September, 1875	81,301 50
Total	1,015,505 50

In the letter of the Postmaster-General, under date of January 29, 1873, to which Mr. Wilson refers, it is shown that the annual cost of the mail service superseded by the Union Pacific Railroad service was $535,043. The cost of the railroad service for the year ending June 30, 1873, as shown by the Auditor's statement, above quoted, being $283,855, the actual saving for that year is $251,188. And from July 1, 1873, the annual cost of the railroad service being $325,143, the annual saving from that date is $209,900.

In the Postmaster-General's letter of January 29, 1873, it is stated that the average amount of matter conveyed in the mails overland, before the completion of the railroads, was less than a thousand pounds per day; whereas the average weight of mails carried on the Union Pacific Railroad is shown by an actual weighing made in March 1870, was 6,376 pounds per day. A later weighing, in October, 1873, showed an average of 10,936 pounds per day, on which, with the car service, the annual pay of the company was increased from July 1, 1873, under the act of March 3, 1875, from $283,855 to $325,143. Agreeably to the above statement of the Auditor, and a still later weighing, made in February and March, 1876, showed an average of 15,348 pounds per day, on which an order has been made to increase the pay from February 14, 1876, to $351,016 per annum, reducing the annual saving from the date last named to $184,027, compared with the cost of the superseded service.

As the superseded service included the carriage of the paper and document mails by sea, and across the Isthmus of Panama between New York and San Francisco, the weight of those mails is entitled to be considered in any comparison of the railroad service with the superseded service which may be made on the basis of weight.

A statement obtained in 1868 from the postmaster in New York showed the weight of those mails sent from his office for three months, ending with June of that year, to average a fraction less than two thousand pounds per day. Adding this to the weight of mails carried overland, and making a moderate allowance for return mails by sea, of which the Department has no definite information, the weight of all the mails carried by the superseded routes may perhaps be set down at thirty-five hundred pounds per day. On this basis the weighing of 1870 on the railroad shows an increase of 82 per cent.; that of 1873 an increase of 213 per cent., and that of 1876 an increase of 338 per cent.

The Department cannot confidently submit an estimate of the expense which the maintenance of service on the superseded routes would have caused if the railroad had not been constructed, supposing the increase of the mails to have been equal to that now shown, but, considering the speed with which the mails are now conveyed, and the traveling railway post-office car accommodations provided for their distribution while in transit, it is perfectly safe to say that if the increase per cent. in the weight of mails at successive periods above indicated were taken as the basis for comparison of the value of the present service with that of the former service, the result would not be an overstatement of the comparative value of the present service.

Very respectfully, your obedient servant,

JAMES N. TYNER,
Postmaster-General.

Hon. Z. CHANDLER,
Secretary of the Interior.

By the letter of the Postmaster-General of January 29, 1873, it appeared that the saving on transportation of the mail for the years 1867 to 1872, inclusive, was $643,579.55. Since that date the actual saving, as shown by the letter above given, to September, 1875, was $461,088, or a total for the whole time of $1,104,677.55. As this covers about one-third of the term for which the bonds run, the saving for the full period would, at the same ratio, be $3,314,032.65; and for the two departments of the public service for the full term, $26,536,575.78, or within $700,424.22 of the entire amount of the principal of the bonds. These estimates have been confined to the term for which the Government bonds issued to the company have to run before maturity, in order to test the value of the service during that time. But it will readily occur to every mind that the great advantages presented are not to be confined to that term, but will continue on in increasing ratio through all the years of the future. It will be observed, also, that the calculations are based on the volume of service represented by weight existing at the time the railroad service commenced, whereas the letter of the Postmaster-General shows that the service, determined by that standard, has increased 338 per cent., and that, considering the character of the service rendered, "it is perfectly safe to say that if the increased per cent. in weight of mails at successive periods above indicated were taken as the basis for a comparison of the value of the present with that of the former service, the result would not be an overestimate of the comparative value of the present service."

The present annual saving, as shown by the rate of compensation allowed to the railroad company by order of the Department of February 14, 1876, is $184,029, making a total for the remaining twenty years of the term of $3,680,580. If this should be increased by the measure of the value of the present service compared with the former service, as indicated in the letter of the Postmaster-General, it would reach in the term of twenty years a sum exceeding the principal and interest of the bonds combined.

Now, when the practicability and the certainty of the scheme for securing a return to the Government of every dollar which it has invested in the Union Pacific Railroad, in connection with the great advantages hereinbefore presented as flowing from the indirect benefits resulting from the construction of the road, it may be safely said that no equal outlay of money or credit by the United States has ever produced as profitable return.

The law requires the company to refund to the Government both principal and interest of the bonds issued to aid in the construction of the road. This fact is not in dispute. The interest involved is very great. In determining how best to secure it the incidental benefits presented in this report are not to be considered in any manner as a set-off against the amount due the Government, and are presented simply to afford all persons an opportunity to understand the wondrous utility of this great national work. And in concluding their remarks upon this subject the Government directors feel it to be a duty to recommend that an earnest and practical effort be made to effect a mutually satisfactory arrangement between the Government and the company which shall definitely fix the rights and liabilities of each in such manner as to secure a return to the former of the amounts due and to become due under existing legislation.

In the report of the Government directors for 1874, they said: "We do not hesitate to reaffirm the opinion expressed in former reports of the Government directors, that the Union Pacific Railroad, with a localized business management, with proper and sufficient power, can be made to meet all the liabilities which rest upon it, including every dollar which the Government has invested in it. Our study of the road, of its ability to develop business in the country through which it passes, and in regions tributary to the line, and of the possible large increase in volume of through traffic, both domestic and foreign, only confirms us in the belief that the road can be made to pay in the fullest sense that its obligations may require." This opinion is here affirmed; and notwithstanding the steady increase of business under the existing order of management, the belief is fully entertained that a more thorough localization of the business management would rapidly augment the already surprising results.

JAMES F. WILSON,
J. H. MILLARD,
JOHN C. S. HARRISON,
FRANCIS B. BREWER,
JOHN A. TIBBITS,
Government Directors of the U. P. R. R.

Hon. Z. CHANDLER,
Secretary of the Interior.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILROAD FOR THE YEAR ENDING JUNE 30, 1877.

WASHINGTON, D. C., *October* 12, 1877.

SIR: Three of the Government directors of the Union Pacific Railroad (Brewer Millard, and Wilson) made the regular annual inspection of the road in the month o July last. The entire line was passed over and examined by daylight, and found to be in good condition. The Western Division had suffered severely from high water and wash-outs during the early part of the season of 1876, and the Eastern Division had suffered much from like causes during the spring of the present year. The fall and flow of water on the two divisions had been unprecedented, and it was a gratifying surprise to find them in so good condition when the inspection was made. The general condition of the road, shops, equipment, &c., was quite satisfactory. The improvements, which the Government directors have noted and reported from year to year, indicate the steady advance of the road toward the standard maintained by first-class roads in the Eastern States.

During the year ending June 30, 1877, the company expended for the renewal of rails $504,827.13; and in the month of July of present year, $147,244.73; total, $652,071.86. Since July 1, 1876, there have been renewed 5,154 tons of steel rails to August 1, 1877, and during the month of August 985 tons; or, in all, 6,139 tons; and it is expected that an aggregate of 140 miles will be reached for the year 1877 before its close. Steel rails are being placed on the heavy grades and mountain divisions. From 1st of March last to August 1 there have been rerolled at Laramie mill 4,942 tons of iron rails, at a cost of about $15 per ton. On the lighter grades, bad iron is being replaced with the rerolled rails. For the year ending June 30, 1877, ties have been renewed as follows, viz: Pine, 410,721; hard wood, 89,424; total, 500,145; and the renewal is constantly going on.

In the same period of time the company has constructed at its shops: Outfit and boarding cars, 4; small baggage-cars, 2; box freight-cars, 42; total, 48. The company has not a sufficient number of cars of its own to meet the demand for shipment of cattle, but the deficiency is met by the roads leading from Council Bluffs to Chicago sending large numbers of their cars out to points of loading on the Union Pacific road.

The company has long needed commodious and safe general offices at Omaha. This want is now being met, and when the work on the building shall have been completed the general offices of the company will be exceedingly well and safely provided for.

There had been expended on the general office building at Omaha to August 1, 1877, $13,468.38; amount additional, necessary to complete it, $27,000; total, $40,468.38. The building will be amply provided with fire-proof vaults for the safe keeping and preservation of the company's records, books, papers, &c., and will be very complete in all of its appointments.

The decision of the Supreme Court of the United States, hereinafter mentioned, having determined that the eastern terminus of the road is on the Iowa shore of the Missouri River, and requiring the company to operate its road to said terminus as a continuous line, rendered it necessary for the company to provide a building thereat for the accommodation of its large and growing business, and for the comfort and convenience of the public. The work is under way and rapidly progressing toward completion, and the company has expended on the same to August 31, 1877, $13,208.68; amount required to complete it, $70,000; total, $83,208.68. This work is necessary, and the outlay judicious, as the want of proper accommodations at the terminus of the road has been a constant source of complaint.

During the month of August the Missouri River bridge sustained serious damage. A wind-storm of almost unparalleled force carried away bodily, and cast into the river, the two eastern spans of the bridge. Fortunately, neither the abutment nor piers were injured; and the company at once put in a temporary structure for use until a permanent one can be put in place, which will be done without delay. The accident interrupted business for a time, and occasioned considerable cost to the company. On the 18th of September trains commenced crossing on the temporary structure, and there has been no delay since that time. The temporary structure will cost $31,216.78; amount necessary to replace permanent structure, $50,000; total, $81,216.78.

A large expenditure has been made for the protection of the Missouri River bank on the east side. This was required for the preservation of the eastern approach to the bridge. The total amount expended for this purpose to August 31, 1877, is $190,992.14, and the tendency of the river to encroach upon its banks will require constant watchfulness and a continuous expenditure in greater or less amount.

During the present year the Missouri River made a "cut-off" just north of the cities of Council Bluffs and Omaha, through which an exceedingly rapid and forceful current was set directly against the west bank of the river, threatening the large general shops of the company. The company has expended $30,000 to avert the present danger, and a subsidence of the water has, for the present, afforded relief; but a large expenditure will be required to protect and preserve the shops in their present location. The work will need to be substantial and thorough, and will probably cost about $250,000. The city of Omaha and the Omaha Smelting and Refining Company are both directly interested in averting this danger, and will doubtless provide for the greater part of the necessary outlay. If this should not be done, then the railroad company must elect between paying the entire expense, with the risk of ultimate failure, and a removal of its extensive shops to a more secure locality. In either event the cost to the company must be considerable.

It is the purpose of the company to replace the present wooden bridge over the Loupe Fork of the Platte River with an iron structure; but the estimate of cost is not yet received.

In 1869 the then management of the company contemplated farming out the express business over the road to Wells, Fargo & Co. This was objected to by the Government directors, and finally, on motion of Mr. Wilson (then and now a Government director), the company resolved to do its own express business. The result of this action has proved most satisfactory. The earnings from that source have been as follows, viz:

1870	$281,686 00
1871	307,751 00
1872	336,333 00
1873	410,190 00
1874	382,107 00
1875	444,473 00
1876	502,904 00
Total to January 1, 1877	2,665,444 00

The expense, loss, and damage account has been exceedingly light—probably in all, to date given, not exceeding $250,000. In the month of September of the present year a loss fell upon this department of the company's service of some $60,000. A band of train-robbers stopped the express-train, robbed the express-car, and carried off about the amount stated of money being forwarded east. About $20,000 of the money has been recovered to present date, and every effort is being made to recover the remainder. In making the recovery mentioned, two of the robbers were killed.

It would have been well for the company had it pursued the same course with the sleeping-cars on the road that it did with the express department. But, instead of doing so, it contracted this interest away at a very early day in its history. The Pullman sleepers were put upon the road under said contract. The terms of the contract were most favorable to Mr. Pullman. He furnishes the cars, conductors, and porters. The railroad company keeps the cars in repair. The total amount expended by the company for repairs under the contract from time the cars were placed on the road to the present time is $444,595.21. During the last year, the amount expended on reconstruction and repairs was $14,764.32. It would have been far better for the company had it placed its own sleepers on the road, and run the same to its own profit. The present management is anxious to be rid of said contract, and certainly will not renew it, as it is now plain to be seen what a grave mistake was made by entering into it at all. The contract will expire October 1, 1882.

As stated in former reports of the Government directors, the company is operating its own coal mines. The coal produced during the year was 264,779 tons, at a cost of $1.29½ per ton on cars. Of the amount produced the company used 183,337 tons, and sold for general use 81,442 tons.

The land granted to the company is mortgaged to secure the payment of the land-grant bonds. Number of acres sold, 1,341,779.30; amount due company on contracts, $3,049,134.53. Principal received, $2,618,093.71; interest, $442,681.79; total, $3,060,775.50. Acres sold during last year, 67,971.53; average price per acre, $2.92.

In view of the grasshopper scourge which has afflicted Nebraska for several years past, the number of acres of land sold by the company during the last year is a gratifying surprise, and now that the scourge seems to have passed away, and immigration is again pouring into the State, the sales in the future must increase rapidly.

The amount of land-grant bonds originally issued was	$10,400,000
Amount outstanding June 30, 1877	7,374,000
Amount retired from sales of land	3,026,000

Undoubtedly the land grant will retire the land-grant bonds, and leave a large surplus over for the extinguishment of other indebtedness of the company.

The number and class of employés of the company is as follows, viz:

	No. of men.
In shops at Omaha	725
In shops at Grand Island	15
In shops at North Platte	76
In shops at Sidney	15
In shops at Cheyenne	50
In shops at Laramie	100
In shops at Rawlins	85
In shops at Green River	28
In shops at Evanston	100
In shops at Ogden	15
Engineers	160
Section and track men	1,250
All others	1,350
Total	3,969

This statement does not include coal-miners nor men connected with the Laramie rolling mill, but only railroad employés proper.

In their report of last year, the Government directors criticised the action of the company in reducing the track force, and said: "There has been too great reduction of the section-gangs, which should be increased by from one to three men to the gang on the greater part of the line. In reducing the track-force, the company has but followed the policy adopted by most railroad companies since the panic of 1873, and the unfriendly legislation of several of the States. There has been a general effort to economise all around, which is well enough in most respects, but in the one indicated is a mistake."

The foregoing statement shows that the company has heeded this criticism, and placed 1,250 section and track men on its line of 1,038 miles, or more than a man to the mile.

The floating debt of the company June 30, 1877, was as follows:

Notes payable		$605,790 45
Omaha drafts		52,118 16
Shoe and Leather National Bank, Boston		50,000 00
Land department, special account		173,600 00
Town-lot department, special account		28,000 00
O. F. Davis, land agent		2,822 42
Land-grant coupons outstanding		4,301 06
Sinking fund		11,200 00
Interest on fractional certificates		64 00
		927,896 09
Less cash assets:		
Cash	$133,068 36	
Gold account	47,603 42	
Union Trust Company, New York	208,185 18	
Union Trust Company, gold account	102,681 92	
Baker and Morrell	25,000 00	
		516,538 88
Debt over cash assets		411,357 21

The company hold other assets, which, after eliminating from its statement—

Amount from operating department	$2,426,858 36
Amount from half transportation from United States	1,901,677 07
1,205 shares of unissued stock	88,814 18
5,000 Omaha bridge bonds	5,161 35
Wyoming Coal Company stock	100,000 00
13,000 first-mortgage bonds held by the company	13,455 00
1,000 sinking-fund bonds held by company	935 00
First-mortgage-bond coupons held by company	420 00
	4,537,320 96

And taking the company's estimate of the value of the remaining assets embraced in the statement, amount to $3,911,443.85.

These assets consist of stocks and bonds in other railroad companies, telegraph and steamship shares, county bonds issued by counties in Nebraska and Colorado, &c. The railroad stocks and bonds are of companies which the Union Pacific Company have aided in constructing their roads, in order to bring business to its line mainly, though in some cases, but in no great amount, of companies with which it has no connection. It is deemed proper to eliminate from said statement of assets the items specified above, because the amount from operating department would be required to meet payments of dividends and interest falling due in July, the amount due from United States for half transportation, because it is held to await the determination of the suit now prosecuting by the Government for the recovery of five per cent. of net earnings, and to discharge such judgment as may be obtained; the first-mortgage bonds, bridge bonds, &c., because, if issued, they would be but an addition to the debt of the company; the shares of the company's own stock not issued, as the same may fall under the inhibition of the act of March 3, 1873, and the interest in the Wyoming Coal and Mining Company, because it never should be accounted a distinct asset to be used for the discharge of any indebtedness of the company, and may be entirely destroyed as a distinct property by the result of litigation now pending. But in any event, there is an abundance in the asset account to extinguish the floating debt, with a remainder over.

Upon the subject of the aid extended by the Union Pacific Company to other companies, the Government directors, in their report for 1873, remarked:

"With regard to the advances which the Union Pacific Company has made in aid of the roads mentioned, we can but repeat what we said in our report of 1872: 'We do not question the wisdom of a policy which tends to secure to the trunk-line the business which the said several roads may command. It could not well afford to have said business diverted from it. The policy, however, should be so ordered as not to interfere with whatever present or future claim the Government may have for re-imbursement.' The ability of the company to make the advances referred to shows that it could have returned more to the Government than it has, and raises the question of the power of the company to divert its means into channels not authorized by the law."

The total advances made, and the companies aided, appear in the following table and those in last year's report:

Investment in Summit County Railroad Company: $134,500 bonds; 622 shares full-paid stock; 2,759 shares assessable stock and valuable coal-lands. Estimated value and cost, $60,000.

Colorado Central Railroad has been aided to the extent of	$1,610,497 86
Credits secured by Union Pacific Railroad Company	767,156 20
Balance, without interest	843,341 66

The investments in the Utah Central, Utah Southern, and Utah Northern Companies have not been increased during the past year, and remain as stated in the report of the Government directors for the year ending June 30, 1876.

The statement of investments in the Republican Valley Railroad has not yet been received, and will not be in time to be embraced in this report. The Union Pacific Company's investment in this road is regarded as a safe and remunerative one, as very considerable aid has been secured from the counties into which it has been constructed, and the country will supply it with a large local business.

The Utah Central, Utah Southern, and the Colorado Central are the most important of the roads aided. These, and the Utah Northern, are reported quite fully in the reports of the Government directors for the years 1872, 1873, and 1876. The Republican Valley road in Nebraska and the Summit County road in Utah involve investments of more recent date.

Aid to other roads is in contemplation by the company; one to the Black Hills region, and one to secure the business of Montana. The Government directors believe that this policy of the company should at all times be held subordinate to its obligations to the United States. When this is assured, the policy may result in public as well as corporate good. It would seem to be definitely settled that national aid in the construction of railroads, by grants of public lands or otherwise, is at an end. Still, there are important regions of our country to be developed by the construction of railroads. If this can be done by corporations whose interest it is to secure the business of those regions, without endangering repayment to the Government in such cases as that of the Union Pacific Company, an important public interest would be subserved. Wherever railroads go, the Indian question is practically settled. From the vast domain covered by the Union Pacific Road, its connecting lines, and the settlements included by them, Indian troubles have disappeared, and the cost of the Indian service, generally, has been greatly reduced. The roads above mentioned as held in contemplation by the Union Pacific Company would, if constructed, tend strongly to further simplify said service and reduce its cost. If the policy can be carried out without hazard to the claim of the Government, it involves possibilities of great moment to the country at large, and of almost incalculable advantage to the sections of our Western Territories most directly interested. (See letter of General Crook, at conclusion of this report.)

The extension of the Colorado Central Railroad to a junction with the Union Pacific at Hazzard Station, and with trains running directly to and from Cheyenne, is an enterprise of great importance to the latter, and to the people of Colorado. It will place the business of that State in much better position than it has ever been; for an active competition must result between the Kansas Pacific and Union Pacific Companies for the business of that State, especially the northern portion of it; and harmonious connections between the Union Pacific, the Colorado Central, and the Denver and Rio Grande Companies will secure like advantages to the southern part of the State through the competition which must arise between the roads named and the Atchison, Topeka and Santa Fé Railroad. The Union Pacific Company has no special running arrangements with the several roads hereinbefore named under which earnings are apportioned. Each company makes its own rates, but the relations existing between them are such as to maintain harmony in their business connections and to enforce a healthy competition with other lines. This must result in great advantage to the people depending on the several lines for transportation to and from points affected by the competition, and tend to develop the resources of the country tributary to the roads.

It is now expected that the Colorado Central will be completed to its connection with the Union Pacific, and trains placed upon the entire line, by the 20th of October, 1877.

The earnings of the road for the year ending June 30, 1877, show a considerable increase over the preceding year, and largely more than any other year in its history.

The gross earnings for the year ending June 30, 1877, were	$13,719,343 82
For the year ending June 30, 1876	12,113,990 69
Increase for the year 1877 over 1876	$1,605,353 13
Operating expenses, as claimed by company, for year 1876	5,447,819 27
For 1877	5,402,252 24
Gain for 1877 over 1876	45,567 03
Net earnings for the year 1877	8,317,091 58
Net earnings for the year 1876	6,666,171 42
Increase for 1877 over 1876	1,650,920 16

This is a surprising result, considering the general depression which has rested upon the business of the country, and fully justifies the opinion expressed in former reports by the Government directors relative to the immense possibilities of this road.

The net earnings of the year ending June 30, 1877, being $8,317,091.58, it is readily ascertained what amount is due the Government for the year under the 5 per centum reservation, as heretofore estimated by the Government directors. The case is this:

Net earnings	$8,317,091 58
Less interest on first-mortgage bonds, reduced to currency at 6 per cent., about the average for the year	1,732,273 20
Net subject to 5 per cent. on above basis	6,584,818 38
Five per cent. on this amount	329,240 91
We understand, however, that the counsel representing the Government in the suit now in progress for the adjustment of the 5 per cent. controversy and for the recovery of the amount due the United States thereon claim that no reduction should be allowed for interest on first-mortgage bonds. If this claim should be sustained by the court, then there should be added to the above	86,661 36
Making a total due for the year, under the 5 per cent. reservation, of	415,902 27
The amount estimated by an expert of the Treasury Department as due for the year ending June 30, 1876, from the 5 per cent. on net earnings is	391,565 73
Making, on above basis, an excess for 1877 over 1876 of	24,336 54

Upon this subject there is a wide difference between the Government and the company, the latter claiming (as the Government directors have stated in two former reports) that, in determining what its net earnings are, it is entitled to deduct from its gross earnings all payments of interest, and all other payments and liabilities coming within the rule laid down in Saint John *vs.* Erie Railway Company, 22 Wallace, 136. This controversy has been one of great annoyance and vexation, and it is a cause of great congratulation that it is so near an end by judicial determination.

Should the Government maintain its claim by a judicial construction of the law concerning the 5 per centum clause of the act of July 1, 1862, in harmony with that upon which the Secretary of the Treasury and the counsel conducting the case are insisting, the payment of the resulting judgment is provided for by the terms of the following stipulation entered into between the counsel of the respective parties in the cause, commonly known as the "Transportation case." The stipulation is as follows, viz:

"It is hereby stipulated on behalf of the plaintiffs that no judgment against the United States which may be rendered in this cause shall be collected until after final judgment in the suit brought in the circuit court for the district of Massachusetts by the United States against the plaintiffs, under direction of the act of Congress of June 22, 1874, to recover sums claimed to be due as the 5 per cent. of the net earnings of the railroad of the plaintiffs, and in case of a recovery by the United States in this latter suit, the judgment may be offset against any judgment for the plaintiffs in this cause; but nothing herein shall be construed to affect the right of recovery by either party in either of said suits.

"G. BARTLETT,
"*For the Union Pacific Railroad Company.*
"JOHN GOFORTH,
"*Assistant Attorney-General.*

The amount covered by this stipulation, added to the amounts which have become due to the company from the United States on account of transportation since the date of the judgment in said suit down to June 30, 1877, is stated to be $1,901,677.07, a sum large enough, it is supposed, to pay a judgment to be rendered on the basis of the claim made by the Government, and largely in excess of one sustaining the company's position. So that, in any event, the judgment will at once be paid.

Section 6 of the act of July 1, 1862, provides that "after the road is completed, until said bonds and interest are paid, at least 5 per centum of the net earnings of the road shall also be annually applied to the payment thereof." The date of the completion of the road has been, and still is, a controverted question between the Government and the company. Upon this question the Government directors expressed their opinion in the annual report for the year 1872. From that report the following paragraph is quoted, viz:

"Here arises an important question: Is the road completed? We think it is, within a fair and reasonable signification of the term. In our judgment, it has been completed for a period long enough to embrace the two years ending June 30, 1872."

The Government directors have never changed from this position. This opinion covers the entire period from the connection of the tracks of the Union Pacific Railroad and the Central Pacific Railroad of California in 1869, and is followed by the Government in the preparation of its claim in the suit above referred to. The company has always contested this position of the Government directors; and now that it is maintained by the United States in said suit, the same contest is making therein. The company claims that, because of certain action by Congress in 1869 and subsequent executive action, the date of completion of the road, and from which the 5 per cent. of net earnings was to commence running, did not occur until the 1st October, 1874, as determined by a special commission appointed by the President of the United States (referred to in the report of the Government directors for the year 1874), if not entirely repealed by implication by the act of July 2, 1864. Happily this and all other questions relative to the 5 per cent. clause of the act of July 1, 1862, are in process of judicial determination in the suit mentioned, and need not be treated further here.

In their reports for the years 1874, 1875, and 1876 the Government directors treated at some length the relations of the United States and the company growing out of the advance by the former to the latter of bonds to aid in the construction of its road. The total amount of bonds so advanced is $27,236,512. The duty of the company to reimburse this amount, with all interest paid and to be paid by the United States, is clear and undisputed. In the reports named the Government directors endeavored to present fully every feature of law and fact springing from the undisputed duty of reimbursement by the company. It is unnecessary here to retraverse the grounds gone over in those reports. Aside from the consideration of the clear legal duty involved, there are great equities on both sides; but they no more than counterbalance each other, leaving the case still resting on the original legal obligation. As shown in those reports, the Government has received vast remunerative advantages already from the construction of the road, and will, through all the future of the great work, feel in increasing ratio the beneficial results flowing therefrom. On the other hand, the road has, to the surprise of almost every one, proved itself to be a strong, growing, remunerative property, capable of carrying all its burdens and discharging all its obligations. There ought to be no conflict between the United States and the owners of the road. There is no just reason why there should be. The United States advanced the bonds in the sum named, and has paid and is still paying the interest thereon. This is a debt which ought to be paid; but under the decision of the Supreme Court of the United States it will not become due until the maturity of the bonds, thirty years from the date of their issue. To let it run on, accumulating, to the end of this time will be the worst possible policy and ruinous at last. If a just accommodation can be arrived at for the avoidance of this result, it would be wise for all the parties concerned to avail themselves of it.

The plan suggested by the Government directors in their report for the year 1876 is believed to be a practicable one, which, if adopted, insures absolutely a full return to the Government of every dollar of its investment in the road. That plan differs from all others that have been proposed by the company in two important respects: It proposes to retain the one-half transportation and 5 per centum modes of payment now provided for, and a termination of the sinking fund at the maturity of the bonds, and security for the remainder due and unpaid at that time, the same to be discharged at the rate of not less than one-tenth per annum. A further consideration of the subject has led the Government directors to the conclusion that the said plan can be modified to some extent without being unduly burdensome to the company in the conduct of its affairs, and shorten the time for the full reimbursement of the Government.

The amount of bonds issued to the company by the United States is		$27,236,512 00
Interest on the same at 6 per cent. for thirty years		49,026,000 00
Total at maturity of bonds		76,262,512 00
Presuming that the United States will receive a judgment on the basis of its claim in the pending 5 per cent. suit, and estimating upon like basis 5 per cent. of net earnings from commencement of suit to June 30, 1877, the Government will receive from that source to said date about	$2,250,000 00	
And will have paid to said date by one-half transportation about	4,273,705 30	
Or a total of		6,523,705 30
Leaving a total remainder of		69,738,806 70
Estimating the annual average arising from half transportation and 5 per cent., on the basis claimed by the Government in the pending suit for the remainder of the term, at $1,000,000, we have a total from these sources of		20,000,000 00
Leaving a balance due the Government at the maturity of the bonds of		49,738,806 70

How can the payment of this large amount be provided for? It will not be due, under the law as construed by the Supreme Court, until the maturity of the bonds, when there will also be due the first-mortgage bonds, amounting to $27,232,000, or a total of $77,070,806.70.

This is a sum beyond possibility of payment in money without refunding at date of maturity. And the additional practical fact exists that the first-mortgage bonds have precedence of the Government lien. The holders of the first-mortgage bonds are amply secured. The Government alone is in danger of loss. Can this danger be avoided? The Government directors think it can be. The establishment of a sinking fund is a practicable scheme, and opens a way out of this difficulty.

A sinking fund, established on the basis of semi-annual payments of $500,000 each, commencing on the 1st of January, 1878, compounded at the rate of 6 per cent. per annum for the term of twenty years, or until the maturity of the bonds, would give a total result, to be applied to the payment of the Government claim, of $40,418,256.86, and leave still due the Government $9,320,549.84. This balance could be discharged either by the plan suggested in the report of last year, or by the simple operation of the half transportation and 5 per cent. of net earnings, as now provided by law. The adoption of such a plan of adjustment as is here outlined, by the Government and the company with the approval of Congress, would render the payment of the principal and interest of the bonds advanced by the Government absolutely certain. It would be useless to exact more than the company can perform; and it is not unjust to require so much as it can comply with without embarrassing its affairs and depriving the owners of the property of a fair return in form of dividends on the capital invested. It is believed that the company can accept and perform the plan here presented.

The net earnings for the year ending June 30, 1877, were		$8,317,091 58
Annual interest, first-mortage bonds, is	$1,633,920	
Annual interest, sinking-fund bonds, is	1,146,080	
Annual interest, land-grant bonds, is	586,180	
Annual interest, bridge bonds, is	182,320	
Six per cent. dividend on capital stock, $36,762,300, is	2,205,738	
Estimated average amount to Government from half transportation and 5 per cent. of net earnings	1,000,000	
		6,754,238 00
Leaving a balance over for contingencies, extraordinary betterments, &c., of		1,562,854 58

The company's statement of earnings on account of Government earnings for the year ending June 30, 1877, is as follows, viz:

For troops	$218,272 67
For mail	709,955 00
For freight	402,756 42
Total	1,330,984 09

Of this amount the Government is entitled to retain one-half for its reimbursement, under existing law	$665,492 04
Amount of 5 per cent. of net earnings for the year, as hereinbefore estimated	329,240 91
	994,732 95

This is within a fraction of the foregoing estimate of the yearly average for the next twenty years. But the account, as charged up for transportation of the mail, rests upon a basis not agreed to by the Government, and the accounting officers of the Treasury will doubtless reduce the amount charged to an allowance considerably below the claim of the company. A full statement of the controversy between the Government and the company is given in the report of the Government directors for the year 1876. If, from any cause, the estimated average aforesaid should be exceeded, the result will be advantageous to the Government, as it will more speedily receive its reimbursement. The increase in the business, both for the Government and the general public, which will as certainly come in the future as it has in the past, will surely maintain the average stated.

If no definite plan for a permanent and final adjustment of the relations existing between the Government and company, relative to the full reimbursement of the former on account of the subsidy bonds issued to the latter, be adopted, then the Government directors would respectfully suggest that Congress be recommended to pass an act authorizing the Secretary of the Treasury to receive from the company, from time to time, such sums as it may elect to pay into his hands, for the establishment of a sinking fund for the extinguishment of the liability of the company to the Government on account of said bonds. It is believed that the company would at once, upon the determination of the 5 per cent. suit, avail itself of such a provision of law and commence payments under it for the purpose named. Such a plan would be a great improvement on the present want of one, and would be preferable to the establishment of a voluntary sinking fund, with its funds remaining in the hands of the company, and subject to its control.

The company is still beset with litigation growing out of some of the transactions of its earlier history. One of the most important suits now pending is that of Thomas Wardell *vs.* The Union Pacific Railroad Company and others, in the circuit court of the United States for the district of Nebraska. This case is based upon a contract made between the Union Pacific Company and Cyrus O. Godfrey and Thomas Wardell, July 16, 1868, relative to the coal lands of the company, the supplying of the company with fuel, the transportation of coal, &c., and became the basis of the organization of the Wyoming Coal and Mining Company. This subject was fully reported on in the reports of the Government directors for the years 1872, 1873, 1874, and 1875. The Government directors have resisted this contract from the time it first came to their knowledge in 1869. Their reasons therefor are stated at length and in detail in their report for 1872. Nothing effective came of this resistance until 1874, when the present management entered upon the control of the affairs of the company. The action then taken is thus given in the report of the Government directors for that year, viz:

"The Union Pacific Railroad Company has taken possession of all the coal mines heretofore in the possession of the Wyoming Coal and Mining Company, and is now working them as its own property. This has caused a resort to legal proceedings against the company by Thomas Wardell, which, if properly and earnestly resisted by the railroad company, will, in our judgment, result in the defeat of Wardell's pretensions, and in the annulment of the so-called contract under which the Wyoming Coal and Mining Company long held possession of the vastly valuable coal lands of the Union Pacific corporation. The contract is copied at length in the report of the Government directors for 1872, and the legal proceedings above referred to were brought to the attention of the Secretary of the Interior by special communication, in September last, in which was inclosed a copy of Mr. Wardell's bill of complaint, with the suggestion that the subject be brought to the attention of the Attorney-General. with a view to having instructions given to the United States attorney for the district of Nebraska to give his attention to the case."

As hereinbefore shown, the company produced for its own consumption for the year ending June 30, 1877, 183,337 tons of coal, at a cost of $1.29¼ per ton, or an aggregate cost of $227,473.41. The price which the company would pay under the contract for coal for that year would be $4 per ton, or an aggregate for the year of $733,348, making a difference in the fuel account (which, of course, would be charged to operating expenses) of $505,875 for a single year. This, if enforced by a decree of the United States courts, would make a difference in the 5 per cent. account of the Government on net earnings of $25,293.75. The contract extends over a term of fifteen years, and the price per ton is scaled from $6 to $3; and although the consumption of coal by the company in former years was not as great as in the last year, it will be greater in the future. Taking this fact and the average price per ton under the contract, it is safe to say that the difference per year for the full term would be as great as that of last year. This would give for the full term a difference of $7,588,125, and, if this be allowed as a deduction in determining the 5 per cent. return to the Government, it would make a difference in that account of $379,406.25. The contract was an inexcusable iniquity from the beginning, and it is greatly to be desired that the pending case may rid the company of it forever. The company is making a determined resistance to the affirmance of the contract. The case was argued and submitted at a special term of the circuit court in June last, and a decision is expected in November; but whatever it may then be, it is not probable that the case will be finally determined short of a review on appeal by the Supreme Court of the United States.

Two other cases, growing out of old construction contracts, are pending in the supreme court of Illinois on appeal. These are the cases of Miller *et al.* *vs.* the Union Pacific Railroad Company, in each of which the amount claimed is $100,000. These cases were instituted in the circuit court of Winnebago County, Illinois. In one of these cases a judgment was recovered for $100,000, and in the other for $64,000. These cases have some very peculiar features, which, as they are still pending in the appellate court, it is better not to discuss in this report. A reversal of these cases is confidently expected, and if this expectation is realized, it must result in the absolute defeat of the claims. These cases, growing out of construction, involve the 5 per cent. account to the extent of $7,200, but it is confidently expected that they will be defeated. In the three foregoing cases, one of the undersigned (Mr. Wilson) is retained by the company as special counsel.

Other litigation is pending in Massachusetts, in which it is expected that about all of the controversies remaining over from the complications growing out of construction will be finally determined and put at rest.

During the year covered by this report the company continued its policy of paying quarterly dividends of 2 per cent., making 8 per cent. per annum. In the report for 1876, this subject was referred to in the following language, viz: "The Government directors have not approved the dividend policy of the company. They have held that the amounts heretofore claimed as due to the Government on reimbursement account, under the several provisions of law establishing and regulating the same, should be regularly paid before the declaration of dividends." This position is here re affirmed.

In the reports of 1872, 1873, 1874, 1875, and 1876 the Government directors called attention to the importance of a more thorough localization of the general business management of the road. Without repeating what was said on this subject in said several reports, a full re-affirmance of the same is here made. The improvements which have, in this regard, followed the several visits of the president and other members of the board of directors to the line of the road under the present management, have confirmed the undersigned in their position. The constant presence of complete power on the line of the road would greatly promote the interests of all concerned.

In their report for 1875, the Government directors called the attention of the Secretary of the Interior to the great and growing importance of the grazing interests of the plains; they said: "The herds on the plains of the Platte are constantly increasing, while the aggregate number of cattle is becoming fabulous. The plains west of Kearney Junction will soon become one of the chief sources from which the eastern markets will be supplied with beef-cattle. These plains furnish unsurpassed grazing-range, and the lands belonging to the Government and to the company ought to be placed under some well-devised system of pasturage, from which profit could be secured to both. We would respectfully call the attention of the Government and the company to this exceedingly important subject, hoping that some system may be devised whereby the growth of cattle may be fostered and the lands made immediately remunerative."

Persons engaged in raising cattle upon the plains feel the great importance of this subject, and the expression from them is very strongly in favor of some organized system which shall give greater security and permanency to the business. A very intelligent gentleman, engaged in raising cattle, in a letter upon this subject, says: "I wish to call your attention to a matter of growing importance to the stock interests of this section. Under existing laws, one man can only attain title to one section of land in a body, within the Pacific Railroad limits, *i. e.*, a man can purchase a full section from the railroad company, but it is surrounded on all sides by Government land, which is only open to homesteads and pre-emptions. It has been fully demonstrated that lands west of the one hundredth meridian are only fit for grazing purposes, and can only be utilized as grazing-lands when held in large tracts or ranges. The quantity of land required to support an animal by grazing alone is so great that it would be impossible to purchase the lands at the Government price, or at any price that would look reasonable. The result is that no lands are sold, and the stock-raisers occupy the lands without any legal rights, while the Government and the railroad company get no compensation. One evil that grows out of this system is, that the stock-grower, having no defensible right to his range, does nothing toward improving or fencing it. His buildings and corals are of the most temporary nature, and he is prepared at any time to move his herds wherever better ranges or less crowded pastures offer.

"Another evil arising from this system is, that during the winter cattle drift before the storms, and herds, getting together in large numbers, suffer for want of grass; and in providing for this contingency it is necessary to keep a much more limited number of cattle on the range than could be supported if the cattle could be separated by fences.

"I think the following plan would entirely counteract all the evils mentioned, and would make a return to Government and railroad company from lands that otherwise will always remain unsold and valueless. The Government and railroad company jointly lease to responsible stock-growers all lands lying west of the one hundredth meridian of longitude in blocks of, say, from 50 to 500 square miles, at such an annual rental, and for such term of years, and with such other restrictions as will best protect the interest of the Government and railroad company, and will give the stock-raiser such a right to his range as will protect him from encroachment, and warrant him in fencing his range, besides making permanent investments in corrals and ranche buildings. The arguments in favor of some such plan as this are so many, and the objections so few, that it seems to me only necessary to have it presented to Congress in proper form to insure its adoption. The enormous increase of the cattle-interest on the western plains, and the present chaotic state of the grazing system demand that some intelligent action should be taken at once."

The suggestions here made are important, and the subject to which they relate should receive attention, and the Government directors would advise that it be brought to the attention of Congress, with a view to the adoption of some plan whereby the stock-raising interests of the western plains may be permanently and economically organized. The present land laws are wholly inadequate to reach the end. They are framed to meet the requirements of agriculture and mining, and they should now be so adjusted as to meet the new demands of the grazing-interests. There is no good reason why the grazing-lands of the Government and of the railroad company should not yield a revenue to each. Stock-raising on the plains is one of the most profitable pursuits on the continent, is well able to pay reasonably for the use of the lands, and is understood to be quite willing so to do.

The shipments of beef-cattle from the line of the Union Pacific Railroad, for the year 1877, to August 1, were as follows:

Number of cars	823
Number of cattle	16,410

From information gathered during their late progress over the line, the undersigned are of opinion that 75,000 head of beef-cattle will be shipped from the line of the road this year. The interruption to shipment by the accident to the Missouri River bridge may reduce this number, but certainly not materially.

An important market for the beef of the plains is developing in England and Scotland, and will doubtless soon appear on the continent of Europe. The shipment of slaughtered animals and live-stock to those countries is a new enterprise, but its growth is rapid. In 1876 the exports of slaughtered animals were $1,855,191. In 1877, to July, the figures swelled to $4,962,850 for slaughtered animals, and over $522,000 for live-stock, or a total for the period named of $5,584,850, being an increase for one-half of 1877 over 1876 of $3,629,659. It requires no argument to prove that this class of exports is destined soon to become an important factor in our foreign trade; Europe will throw open its doors to our cheap meats when they can now be placed in her markets as fresh as from her own stalls and fields. The source of supply for this cheap meat will be largely and mainly the region traversed by our tributary to the Union Pacific Railroad. Much of the great sections of Texas and the Indian Territory, from whence now come vast supplies of live-stock, will in time be devoted to agriculture. This cannot be the case on the grazing-plains of the West. Hence the greater importance of the suggestion made relative to the adoption of some system for the better organization of the grazing-regions of the West. This consideration, added to the fact that in effecting the former result a new source of public revenue may be established, gives the subject double interest, and would seem to amply justify the suggestion already made, that the matter be brought to the attention of Congress. Doubtless the company would readily co operate in any well-considered scheme for effecting this result.

It is provided in the thirteenth section of the act of July 2, 1864, that "the Government directors shall, from time to time, report to the Secretary of the Interior, in answer to any inquiries he may make of them touching the condition, management, and progress of the work, and shall communicate to the Secretary of the Interior at any time such information as should be in the possession of the Department. They shall, as often as may be necessary to a full knowledge of the condition of the line, visit all portions of the road, whether built or surveyed."

As far as the present Government directors are advised (and one of them has been in continuous service since 1869), there has never been but one inquiry made under this provision of law, nor in pursuance of any other, nor on any account whatever. In 1871 an active controversy arose concerning the eastern terminus of the road. The then Secretary of the Interior addressed a communication to the Government directors, requesting them to examine the question involved in said controversy, and to report to him their opinion as to where the law fixed the eastern terminus of the road. The Government directors, after considering the question, reported that the terminus was on the Iowa shore of the Missouri River. This, of course, included the bridge across said river, and its approaches, and made them a part of the main line to be operated as a continuous part thereof. This opinion was followed by the accounting officers of the Government, so far as United States transportation was concerned; but no action was taken to enforce it as to the rights of the general public. Private parties instituted *Union Pacific Railway Company* v. *Hall et al.* (1 Otto, 343), in which case, after persistent resistance by the company, the Supreme Court of the United States took the same view that had been reported by the Government directors, and held "that the legal terminus of the railroad is fixed by law on the Iowa shore of the river, and that the bridge is a part of the railroad; there can be no doubt that the company is under obligation to operate and run the whole road, including the bridge, as one connected and continuous line." The road is now so operated, and commodious buildings are in course of erection on the east side of the river for the accommodation of the business, as hereinbefore stated.

All or part of the Government directors have made at least annual visitations of the entire line of the road. They have made annual reports to the Secretary of the Interior, in which they have endeavored to give full expositions of the road, its condition, of improvements needed and of improvements made, of the things possible to be realized from it, of the policies of the company, of controverted questions both as to accounts and management of the property of the company, of disagreements as to the construction of the laws governing the relations and determining the rights of the Government and the company.

Indeed, it may safely be stated that not a question of controversy between the Government and company has escaped mention in one or more of the reports. The reports from 1871 down to and including the one for 1876, and excluding the present one, reduced to print in the ordinary executive-document form, would cover nearly or quite one hundred and fifty pages. They are filled with information in general and in detail, derived, in great part, from personal contact with the subjects treated of, and made with a purpose to have them as exact as such documents can be made. The filing of these reports has been, practically, their end. In many instances important recommendations have been made, with a view to the better management of the property, its business and affairs. They have rested with the reports.

These statements are not made in the spirit of complaint. The fault has risen mainly, no doubt, from the defective character of the law. The law requires certain reports to be made by the company to the Government, but has provided no means for the utilization of the reports when made, and the same defect exists as to the reports of the Government directors. If the present relations existing between the Government and the company are to continue, some remedy should be devised for the defect mentioned. All matters relating to the connection of the Government with all of the railroad companies that have received United States bonds in aid of the construction of their respective roads ought to be organized in a special bureau in the Interior Department, in charge of a competent and responsible head. The Government directors are aware that the present Secretary of the Interior has considered this definite subject, and probably has arrived at, or doubtless will arrive at, a wise conclusion in general and in detail, and here the subject may be safely left. The Government directors can but express satisfaction with the fact that special thought is now given to this important subject. The interests involved are very great, far more so than many others which have been accorded special supervision since the foundation of the Government.

JAMES F. WILSON.
FRANCIS B. BREWER.
J. H. MILLARD.
JOHN C. S. HARRISON.
DANIEL CHADWICK.

Hon. CARL SCHURZ,
Secretary of the Interior.

Copy of a letter of General George Crook.

HEADQUARTERS DEPARTMENT OF THE PLATTE,
COMMANDING GENERAL'S OFFICE,
Omaha, Nebr., October 9, 1877.

SIR: Referring to your communication of the 8th instant, stating that the managers of the Union Pacific Railroad propose building two branches from the main line, the initial of one east of Sherman, Wyo., with its objective point at or near Bozeman, Mont., the other to start at or near Rawlins, Wyo., and join eastern branch at its terminus in Montana; the eastern branch passing through the Black Hills, and the western through the Wind River country. You request my opinion on the points explained in the following answers.

They will have a most salutary and positive effect in settling our Indian troubles, thereby saving large expenditures of public funds. They will invite to and open up for settlement most valuable farming and grazing lands; aid in the discovery of new mining sections, and promote the development of valuable mineral resources already discovered. They will save the public treasury vast amounts in economy in transportation of military supplies, troops, and mails. From my personal knowledge of the country through which the proposed lines will pass, I regard the project as eminently practicable and more easily accomplished than many of the works of similar character now in successful operation in the country west of the Mississippi.

I have confined my reply to the questions embraced in your letter, but under the head of gain, &c., I would say generally that I know of no proposed enterprise more important to the vast country they will open up, nor any that will be of more positive and enduring good to the whole country. They will, when completed, be of national importance and benefit.

I have the honor to be, very respectfully, your obedient servant,

GEORGE CROOK,
Brigadier-General, U. S. A.

Hon. J. H. MILLARD,
Government Director Union Pacific Railroad, Omaha, Nebr.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILROAD.

BOSTON, *December* 7, 1878.

SIR: With the exception of a single one of their number (Mr. Chadwick, of Connecticut, who was originally made a member of the Board in March, 1877), all of the present Government directors of the Union Pacific Railroad, were appointed within the present year. They none of them had any previous knowledge of the affairs of the corporation, or were more than generally informed as to its relations with the Government. Under these circumstances it was fortunate that very shortly after their appointment was decided upon, two acts of Congress were passed which greatly simplified their work. By one of these acts the annual payments, allowances, &c., to be made to the Government by the Union Pacific were fixed; while by the other a new Bureau was established, in connection with the Department of the Interior, for auditing the accounts of that company, among others. These two measures of legislation effectually relieved the present Government directors from further considering many subjects which had engaged the attention of their predecessors. For the immediate time being, and at least pending the action of the courts in cases arising out of the operation of the acts referred to, and which are now, it is understood, ready for decision, the financial relations of the Government and the Union Pacific must be considered as definitely settled. This subject, therefore, calls for no further discussion. As respects also the condition of the company's finances, its resources and the disposition made of them, the Government has its own auditor, and is in immediate possession of all the facts and statistics which it would be in the power of Government directors to furnish. Neither have the present directors thought it incumbent upon them to further investigate questions of the past connected with the construction of the Union Pacific Road or its earliest operations. They have, on the contrary, deemed that they would best subserve the purpose of their appointment by strictly confining their attention to questions of the present, giving the Department such information as they might be able to procure relating to the existing condition of the property and the policy now pursued by the direction in the management of the company's affairs.

The usual yearly inspection of the road was made in September and October last. All of the members of the Board took part in it, with the exception of Mr. Chadwick, who was prevented from doing so by business engagements. He therefore does not join in that portion of the report derived from personal observation of the property or its management on the spot. Both locally upon the line and in the general offices of the corporation at New York and Boston every facility has at all times been afforded the directors toward obtaining whatever information they may have desired. No disposition to withhold or conceal has at any time been apparent. On the contrary, from the beginning, the fullest investigation seemed rather to be courted; while more than once the feeling has been openly expressed that justice has not been done either to the actions or intentions of those now responsible for the management of the company's affairs. A public inquiry, at once impartial and intelligent, could, it was claimed, result only to its advantage.

So far as the inquiries of the present Government directors have gone, they have been of a general character, and have related solely to the two subjects already referred to—the material condition of the property and the business policy of those managing it. As respects these also, the inquiry has necessarily been both partial and superficial. The conclusions arrived at, so far as they go, are in many respects quite different from what the directors anticipated when the inquiry was begun. Such as they are, however, they could not be avoided.

In passing upon the material condition of the Union Pacific Railroad, the first point to be determined is the standard by which it shall be judged—whether by that in use on the Eastern trunk lines, or by that in use on the best roads of the Mississippi Valley, or by the less severe standard which is usually applied to the newer roads west of the Missouri. In view of the facts, which it is unnecessary to more than refer to, connected with its organization and construction, it seems manifestly right that the Union Pacific should be judged by the most severe standards known among the railroads of the country. No good reason is apparent why it should not be held strictly to this test, or why its owners and officers should object to it. As is matter of common knowledge, the road was practically built out of the public money, and the stock, which now represents its ownership, represents little besides the enterprise and energy which the original constructors put into their undertaking. The corporation, on the other hand, received from the Government an indorsement of unprecedented liberality. The road was designed to be a great national thoroughfare; a monument of public liberality and of private enterprise. Under these circumstances, those representing the Government in the conduct of its affairs would clearly not be justified if in their inspection they applied any standard short of the highest known to the railroad system of the country. Especially would this be so when, as in this case, the road, as a commercial enterprise, has proved a brilliant success; when its annual gross earnings, falling but little short of $13,000,000, are the largest, with five exceptions only in our whole railroad system. Neither are those earnings peculiarly absorbed in the necessary operation of the road. On the contrary, while but three companies only in the country—the New York Central and Hudson River, the Pennsylvania, and the Central Pacific—report larger annual net proceeds, the percentage of operating expenses to gross receipts (42 per cent.) has during the last three years averaged lower with the Union Pacific than with any other great railroad company, without exception. These facts are referred to in this connection, not to prejudice the corporation, but simply to fix beyond a question the character of the standard which should be applied to its road.

In applying that standard, however, the directors have endeavored to bear continually in mind the peculiar conditions of climate, soil, traffic, and population under which the Union Pacific is operated. While in many respects most favorably placed for economical working, that railroad is also subject to natural laws which seem peculiar to itself. For instance, the line was originally laid out and the road was constructed rather, it would seem, to save time and money and to earn a mileage subsidy than with any regard to what are considered sound engineering rules. It was a surface road, in which cuts and embankments were carefully avoided, without regard to curvature or undulation of track. As the subsidy was paid by the mile, such a method of construction, while it saved money on the one hand, earned it on the other. In gradually converting this original structure into a first-class permanent work, it would naturally be expected, according to all established precedent, that the alignments would be rectified, the embankments made higher, and the cuts deeper, while the surface undulations would have been reduced to grade. Experience, however, has shown that, whether sagaciously designed or otherwise, the original construction was for this particular road the best construction possible. It has enabled the trackmen to contend successfully with the clouds of fine dry snow which drift in winter over the plains, filling every cut, but blowing clear of all embankments. Accordingly the whole tendency of the company in the renewal of its road-bed has been to seek the shoulders of the hills by curves and undulations, instead of going through them on straight lines at an even grade. The effort is to keep the track at all points slightly elevated above the country through which it runs.

So, again, as respects mason work. In the usual process of first-class railroad renewal the gradual substitution of stone for trestles and piling is assumed as a matter of course. The Union Pacific, as regards certain large portions of its line, seems to be an exception to this rule. In many places the company is now even taking out original mason work of a fair order and replacing it with piling. This, too, is done because experience has shown that, in their soil, and with the climatic conditions under which they work, masonry is far more liable to wash-outs than piling. The annual rainfall is not large, but at times it comes in torrents. No ordinary provision is then adequate for the water's escape, and where the surface of the soil has been broken to put in mason work, without carrying its foundations down to bed-rock, the superstructure is peculiarly liable to be undermined and swept away.

The same climatic conditions, on the other hand, affect the road most favorably as respects its economical operation. The character of the soil and its freedom from water obviate the great difficulty of frost, against which the Eastern roads are forced to unceasingly contend. On very large portions of the Union Pacific the directors were assured that the track and road-bed came each spring out of the winter in much the same condition, apart from regular wear, in which they went into it. The soil neither heaves nor washes. This again immediately affects the life of rails and ties, as well as the condition of the rolling-stock. Indeed, cottonwood ties were pointed out which had apparently been in the track since the original construction of the road ten years ago, and which were still in good order.

As respects fuel, ballast, and building material, except wood, the Union Pacific, as compared with the generality of Eastern roads, is most advantageously placed. Contrary to all expectation, and again, in apparent defiance of experience, the native soil thrown up from the roadside during the process of original construction has, on a large portion of the line, proved itself a ballasting material of the best description. Dry, elastic, and easily handled, it calls for no foreign admixture, and would hardly be improved by it. For only 80 miles of the entire line, or but 8 per cent. of the whole, is foreign ballast even deemed necessary. So also as respects fuel and building material. They are found in great plenty and of the best description directly on the line of the road, although in many cases a long haul is required to get them where they are needed. Yet this haul is in every case wholly over the company's own rails, and for it they can use their own returning rolling-stock at their own convenience. Practically its cost is thus reduced to a minimum.

In the matter of grades, also, the line is, considering the elevation necessary to be overcome, most fortunately circumstanced. The whole eastern half of it, a distance of more than 500 miles, is a gently ascending western grade, averaging 10 feet to the mile; while the heavy grades of the mountain divisions are limited to three localities, respectively of 60, 50, and 80 miles in extent, in which 90 feet to the mile is the maximum, and that at one point only. Of the entire 1,036 miles of the road, over 800 are of most easy operation. Nor is this all The overcoming of grades is, of course, a mere question of power. In the case of the Union Pacific, the grade and the power which overcomes it are met together. As the coal mines are in the mountain divisions, allowing for the difference between the value of coal at the mouth of the mine ($1.13) and in Omaha ($7.50), it would actually seem to cost the Union Pacific but a trifling, amount more to haul its trains over the mountains west of Cheyenne than it does to haul them over the plains east of that point.

As respects water and the price of labor, the company operates its road at certain points at a serious disadvantage. Indeed, in the western divisions the absence of good water is probably more seriously felt than the presence of the grades. In the matter of snow, on the other hand, the difficulties originally apprehended have been, to a great extent, overcome, and the expenses reduced until they are no longer material. The officers have learned how to deal with it, and during the last three years the entire cost of removing ice and snow, including the repair of sheds and fences, has added hardly one cent per mile to the expense of running trains.

In passing upon the material condition of the line, it should also be borne in mind that in the traffic which the Union Pacific is called upon to accommodate there is little which requires frequent or expensive handling; that is, the business, both freight and passenger, through and local, whether originating and ending on the line of the road or not, is usually carried long distances; so that none of the complicated movement and frequent interchange of trains is required which is usual on Eastern roads. This, of course, necessitates no such elaborate and costly arrangement of tracks, sidings, yards, buildings, and general appliances as is found upon roads with much smaller traffic in other portions of the country. These need not, therefore, be looked for. The Union Pacific at present requires only those accommodations necessary for doing a business of the simplest known character.

Taking all these things into consideration, and making full allowance for them, the directors are unable to say that the present condition of the Union Pacific Road is in all respects satisfactory. On the contrary, when measured by the standard which has been suggested, its deficiencies are many and apparent. The policy, as respects the completion and renewal of its road, which the company apparently has pursued and now is pursuing, might, perhaps, if judged by the test of strict business principles, in the shrewd management of a practical monopoly, be deemed a fairly liberal one. In making their examinations, it is true, the present directors labored under the great difficulty of having no previous knowledge upon which to base a comparison; but it is, nevertheless, sufficiently obvious that the property, instead of deteriorating, is being brought up with steadiness, though slowly, to a fair degree of average excellence. It is still, however, far short of what, with its original endowment and large present earnings, it ought to be—and very far short in almost every respect of that high standard of excellence, both in scope and in detail, to which those familiar with the great trunk-lines of the country are now accustomed.

As regards the local management, the directors are not sufficiently acquainted with those who compose it to offer any criticism of value. The officers are doubtless competent, energetic, and faithful, as, unquestionably, they are experienced. There is, however, nothing in the present shape of the organization, as regards division of labor and study of detail, which would indicate that it is the work of any superior organizing mind. It gives rather the impression of being simple even to crudeness, and quite lacking in system. This absence of thorough organization is very apparent whenever results are examined in detail. On the road itself, for instance, it is evident that the standard of excellence, where it has been established at all, has not been fixed high enough or rigidly insisted upon. It is true that the Union Pacific has always been operated and renewed under circumstances unfavorable at least to its thorough reorganization. Its ownership has more than once changed; and, as is well known, it has at times been in hands more solicitous as to movements of the stock market than honestly desirous of attaining even material excellence. The local management has accordingly never been the responsible management; nor, however good and comprehensive its ideas may have been, has it ever occupied a position which would have enabled it to carry them out. Meanwhile it is obvious that no system whatever has been pursued in filling up the subordinate situations. As vacancies occurred, officers have come to the road from all sections of the country, and have brought with them theories and methods which are far from uniform. The result is that there is no apparent uniformity of work. While the individual division superintendents and road-masters appeared efficient and faithful, they did not recognize the same standards, nor, it was obvious, did they, in many cases, have any conception of what the highest standards were.

This singular absence of system appeared throughout, and in matters well calculated to excite surprise. The directors, for instance, were unable to obtain any profile or detailed map of the road to aid them in their examinations. To satisfactorily inspect a road without this, or a considerable previous familiarity with it, is, of course impracticable; and yet it appeared that, if such documents ever existed, they had been destroyed and had not yet been replaced. So, also, as respects mile-posts; if the Union Pacific ever has been divided off, except by section posts, the metes have long since disappeared, so that it is now extremely difficult to locate anything upon its line except by stations and bridges. The unfortunate absence of standards is, however, most apparent in the motive power and track of the company. For this, of course, the present management is but partially responsible, and it is using its efforts to reduce the existing chaos into something like order. This, however, will require time. Locomotives and rails which are still good cannot, of course, be discarded because, unfortunately, they were purchased of every possible pattern in the early days of the enterprise.

Passing further into detail, the directors found the general offices of the corporation at Omaha, the new depot building at Council Bluffs, and the several roundhouses at the division centers, all excellent structures and creditable to the company. This cannot be said of the stations and other buildings on the line, even those at the converging or central points, like Ogden, Cheyenne, Kearney, and Omaha. Originally cheap and temporary, the structures at these points have deteriorated with time and use. Large and expensive renewals in this respect should already have been made, and cannot much longer be deferred.

The general repair-shops of the company at Omaha may originally have been laid out upon a convenient plan; but, if so, it was one which unfortunately did not admit of extension. Accordingly, as the requirements of the company have increased, these shops have become inconvenient, and their reconstruction on a large scale would seem to be a mere question of time. The division shops, on the other hand, as well as the rolling-mills at Laramie, seem to have been well designed, and are amply sufficient for all requirements, both present and future. Judging by a very superficial examination, and the results as seen through the returns, the shops seem to be well and skillfully managed and opened to no criticism.

The road seems to be liberally equipped with rolling-stock, which is apparently kept in very good order. There is a great abundance of excellent motive power, though the locomotives are of a number of different patterns. Indeed, this department of the company's service, perhaps more than any other, reflects credit upon it.

As respects its bridges, the company seems to be pursuing a systematic and sufficiently liberal policy of renewals. The original structures have lasted remarkably well. The larger wooden truss-bridges are now being replaced by iron, and the trestle and pile bridging, where it could not be gotten rid of by embankments, seems to be kept in thorough repair. For reasons which have already been referred to, the substitution of mason-work for piling in the smaller bridges and culverts does not form a part of the company's policy of renewals.

The road-bed is, as a whole, not yet brought up to the proper standard, as it is in many places light, narrow, and low. It is, however, being rapidly lifted and improved, and it is safe to say that the work of renewal in this respect will more than keep pace with the renewals of iron. If the principle, as respects curves, cuts, embankments, and undulations, upon which the road is now being operated should prove permanent as well as correct, the bringing the road-bed up to a condition of standard excellence, including the important item of ballasting, will be a simple and inexpensive matter.

The lack of standard and system which has been remarked upon in other respects is peculiarly noticeable in the matter of ties. The road is as a whole very well provided with them; indeed, not infrequently they exceed the regulation number of 2,640 to the mile, and are so close together that there does not seem to have been sufficient space left between them to enable the section-men to freely work the ballast. Little attention seems anywhere to have been given to the careful spacing of the ties, and if any rule in this respect was ever laid down a rigid compliance with it on the part of the road-masters has obviously not been insisted upon. This is the more noticeable as the character of the soil and absence of heavy ballasting would seem to make a careful observance of some rule in the matter peculiarly desirable. It would, however, seem that great numbers of ties have from time to time been put in the track, with very little regard to their size, while none have been taken out until they were thoroughly rotted through. The spiking is not less slovenly, and there is thus an absence of symmetry and disregard of appearance about the track, when examined in detail, which is not suggestive of a first-class railroad.

It is in the character of its rails, however, that the Union Pacific is most deficient. Considering the large income of the company and the recent low price of steel, the economy of renewals in this respect has been carried much too far. While, during the last six years, first-class roads in other parts of the country have wholly replaced their iron with steel, removing every defective rail from their tracks, the Union Pacific has thus renewed but 290 miles out of 1,036. This comparatively small portion of its track is fairly up to standard, but the remainder can hardly be ranked as even of the second class. In it are not seldom to be found sections of track where there are rails of different pattern and of varying lengths, with joints even or broken, as the case may be—resting on chairs or spliced with plates—on the ties, or suspended between the ties; rails which have been cut and turned and handled, and which are low at both joints and crushed in the center. Nor, unfortunately, are these very exceptional. The rule is understood to be that no rails having service in them, of over 16 feet in length, are to be removed from the track, and during their inspection the directors not infrequently saw them of 12 feet in length and even less. That portions of the road can, under such circumstances, safely go into the winter must be due to the fortunate freedom of the soil from frost. It could not be done in the East.

In explanation of this very noticeable state of facts, it was suggested to the directors that the rails which have been referred to were a portion of the original iron of the road, which was of such a singular toughness and strength that, in spite of its battered appearance, it was still kept in the tracks for the simple reason that, even in its present condition, it was found to outlast new iron. It would hardly, however, be suggested that this original iron is, in its present lamentable state, superior to steel; and it is with steel that first-class roads are now equipped. The Union Pacific, moreover, as respects its iron, continues the practice, long since abandoned by solvent companies, of putting down in front of its stations the poorer rails taken up among those still having service left in them, upon the ground that, as the trains run at slow speed before the stations, this description of rails can be used there without danger. Judged by any standards now in use on the first-class roads of this country, no rail which is not safe to run over at speed is thought safe to keep in a main track anywhere. Certainly the careful collection of such rails in the tracks before stations indicates an utter disregard of appearances and absence of pride which should not be found in those managing a great continental thoroughfare. The directors feel that in this respect the condition of the road is open to sharp criticism, and that they would be failing in duty if they refrained from expressing it.

In conclusion, their examination has led the directors to believe that the policy now pursued by the company in regard to the material condition of the property, while careful and sufficiently safe, is by no means liberal. The impression given to an inspector is that the principles of economy are very rigidly impressed by a distant board of direction on the local management. The percentage of operating expenses to gross earnings is very closely watched. However it might be if the road were completed and brought throughout up to a first-class standard, it is obvious that the percentage of operating expenses is now smaller than it should be; and the reason that it is smaller is made plainly apparent by any close inspection. The policy of the company in this respect has not been such as the country had a right to expect or the Government to insist upon.

The relations of the Union Pacific with the public generally, with the community it was built to serve, with the country and its inhabitants along its line, and with the connecting roads, remain to be considered. This subject is, however, one far more difficult to deal with than the mere material condition of the property. It is possible to go over the road, even without any great familiarity with it, and to report on the state of the permanent way, the stations, and the rolling stock, and to feel in so doing a reasonable assurance against any considerable error in judgment. It is far otherwise with a business policy. To pass with any weight of authority upon that calls for an acquaintance with facts which cannot be speedily acquired, much less improvised. For it is to be borne in mind that the business policy of the Union Pacific necessarily affects, and is itself affected by, the requirements and facilities of a region, sparsely inhabited, it is true, but more than equal in area to all the countries in Europe west of Russia. Not only is the road itself more than a thousand miles in length, but the form which its tariffs take is directly influenced by the course of traffic on the Upper Missouri, over the Isthmus of Panama, and about Cape Horn. Besides being the great artery of commerce across the continent, it supplies the local needs of wholly separate communities, engaged in industries as varied as agriculture, the raising of cattle, and mining. Under these circumstances it would be pure assumption in any body of men, with no better opportunities than the present directors have yet had, to pretend to speak absolutely on this subject. Certain impressions undoubtedly have been received, and a few conclusions reached, but what the directors say in this portion of their report they say with hesitation, and subject to limitations almost sure to result from a larger and more intimate knowledge.

Upon one point, however, they are clear. As respects its business policy no less than as respects its material condition, the Union Pacific occupies a peculiar position. It is both a national and a continental thoroughfare, built in a large degree by contributions from the public purse. In view of these facts, those who own and control it have incurred a responsibility which they should cheerfully recognize, and which they should not be permitted to ignore. The policy of the company should be a public-spirited policy. The community has a right to expect that in its commercial relations strict business principles should be tempered with liberality. It would not seem, therefore, unreasonable to ask that the development of the country and the easy and even economical exchange of traffic should be considered by those invested with the management, as well as the strict business view of the largest profit. In any event, it is clearly the mission of those representing the National Government in the Union Pacific direction—if, indeed, they have any mission—to develop this principle of public responsibility, and to keep it continually in the minds of those more immediately intrusted with the management. Not that it is either expected or desired that the Union Pacific should be operated without regard to profit. On the contrary, the interest of the corporation, and of the Government as its largest creditor, are in that respect the same. What is desired, and should be insisted upon, is obviously something of a wholly different character; it is that the business policy of the corporation should be large and liberal-minded, a policy looking not only to the immediate returns of the present month or year, but which gives full weight also to those remote results which may be made to follow the development of the country; above all, a policy which seeks, so far as circumstances will permit, to avoid all discriminations, and to deal reasonably and equitably both with other roads and with differently circumstanced individuals and communities.

Measured by this standard, it would be occasion for surprise if the course of the Union Pacific was not found open to much adverse criticism. It unquestionably is. This criticism, however, it may be stated in the outset, should not partake of the character of sweeping denunciation. There is, on the contrary, much to be said, both generally and in detail, in defense of the course which the company has recently pursued in the conduct of its business. All things considered, its tariffs, though high in comparison with those in use on some of the trunk lines of the East, are lower than the average, and in no respect, at once practical and material, appear to be extortionate. The rate on through traffic during the year 1877–'78 appears to have averaged 1.62 cents per ton per mile; while that on local traffic, exclusive of coal which the company carried on its own account, averaged 2.54 cents. Any inference as to the reasonableness or otherwise of these rates drawn from comparing them with similar averages reached from the statistics of more eastern roads would, however, be extremely fallacious, unless full allowance is made for the different conditions under which the business is done. A very high average rate on local business upon one road may, for instance, be a very low rate upon another. The whole question turns upon the cost of doing the business, and that again depends on its volume, the length of haul, and the frequency and expense of handling. As respects volume of local business the advantages would probably be with the roads of the East; but it would be immensely the other way as respects length of haul and cost of handling. So with through business. The average rate returned by the Union Pacific, if used for purposes of comparison, is merely deceptive; for it would naturally be inferred that it represents the amount charged the shipper by this company for the service, as the similar average in the case of the more eastern road represents the amount charged by it. The one is thus compared with the other, and an inference is drawn. In neither case, however, does the rate returned really represent the charge made. The charge was for the entire service, and represented transportation over a given number of miles. It is divided, however, among those performing the service, not in proportion to miles of carriage done by each, but upon an agreed arbitrary basis, the Union Pacific receiving more than its proportionate share. Thus, though the whole rate paid by the shipper may have been perfectly reasonable, and even low, considering the service, through the process of division it may be made to appear as an actually extortionate charge in the returns of the one road, and as a merely nominal charge in the returns of the other.

The conclusions of the directors as to the generally reasonable character of the Union Pacific tariffs are not therefore based upon the average rates reported by the company. The fact would seem to be that the commonly entertained idea as to the position this road occupies in respect to its local business is essentially erroneous. According to that idea, if the directors correctly understand it, the Union Pacific enjoys a monopoly; practically, from end to end of its line, it is free from competition and at liberty to regulate its system of charges as it sees fit. This, however, is in reality the case to a rather unusually small extent. It is true that the company is exposed at but few points only to the intense pressure of competition with which the railroads farther east are familiar, but almost nowhere is it wholly exempt from competition of some sort. For instance, in Eastern Nebraska it meets it from rival railroad lines. The cattle interest is almost the only one of which Western Nebraska admits, and cattle can always be driven from one competing line of railroad to another in search of better rates. Cheyenne is a point of active railroad competition. To the north of Cheyenne are the Black Hills, and for the business of this region it is necessary for the railroad to compete with the steamboats of the Mississippi River. Beyond Cheyenne, except for its coal-fields, of which it does, indeed, enjoy a practical and very valuable monopoly, the road runs through a desert region to its terminus at Ogden. From Ogden it supplies the Territory of Montana in competition with the Missouri steamboats, and the Territory of Utah in competition with the Central Pacific. Practically, therefore, in case of its coal-fields alone does the Union Pacific enjoy a rea monopoly of any considerable value. At the few points on its line where it finds any competition to speak of, it meets competition in some form; at the many points where it meets no competition it finds no business. This fact alone would prevent the adoption of extortionate rates.

Apart from all competition, however, such does not seem to have been its policy. In the adjustment of its tariffs it has evinced a spirit at once shrewd, business-like, and money-making; fully awake to all the advantages of geographical situation, and disposed to forego none of them, but rarely oppressive withal. As a rule, a careful regard seems to have been shown to what any particular branch of business could afford to pay; and this, rather than the cost of the service rendered, or any more remote advantages to be expected from it, would appear to have afforded the basis upon which rates were established. In pursuing this general policy the company has by no means disregarded local interests. On the contrary, it has not infrequently provoked the enmity of connecting lines in its efforts to protect and develop such interests. For these and other good and reasonable features in its policy the Union Pacific has not, as it seems to the directors, received the full degree of credit which is its due. As a whole, however, its business policy has neither been far sighted nor liberal. It is, in fact, such a policy as might naturally be expected from a capable local management, anxious for good immediate results, but having no conception of any such broad and, perhaps, statesmanlike views as the directors have endeavored to suggest. Looked upon, however, simply as a feature in the management of a private enterprise, the object of which is to secure the largest immediate returns, at once safe and not unreasonable, upon its outstanding securities, the recent business of the Union Pacific is open to few criticisms.

Perhaps, however, the directors could best illustrate their meaning, and at the same time avoid any possible imputation of vagueness, through a few examples drawn directly from the recent tariffs of the company. Take, for instance, the following: During the last few years there has been a great increase in the production of wheat in the vicinity of Cheyenne and in Northern Colorado. This wheat finds a market in the East as well as among the mountains. It can, however, afford to seek an eastern outlet only at the lowest possible rates of carriage, and those rates the company have to offer it or not get it at all. Recognizing these facts, the Union Pacific has made for this business the extremely low rate of 5 mills per ton per mile from Cheyenne to Omaha; and in so doing they have reasoned that it was sound policy to carry this wheat out even at these rates, or it might be even at a loss, in view of the indirect profit derived from it. For, it was argued, the prosperity of the farmers throughout that region is the prosperity of the road. If the company does carry their wheat to a market at a small loss it brings back their supplies of every description at a considerable profit, and this indirect return amply compensates any immediate sacrifice.

This is a liberal and far-sighted business policy, which, if systematically pursued after a careful and intelligent study of both the existing conditions and future possibilities of the country, would leave nothing to be desired. Even in this case, however, it may well be questioned whether the rate named resulted from anything but a careful calculation of what the business could afford to pay. Whether it did or not, however, the proceeding was exceptional, while an example of the policy more usually pursued is found in the case of coke carried into Utah.

Utah is essentially a mining region. One great obstacle in the way of its development as such is the want of any coal fit for coking. The importation of an abundant supply of coke for use in smelting operations is to the miner of Utah not less important than the cheap export of wheat is to the farmer of Colorado. It is, in fact, a raw material of prime importance. A liberal and far-sighted policy on the part of the Union Pacific would apparently study a means of furnishing this article of necessity at the lowest possible rate, while a profit would be counted on from the consequent traffic involved in supplying the wants of a large and active business community. While, however, as has been stated, the Union Pacific takes the wheat out fron Colorado at a rate of but 5 mills per ton per mile, it charges 15 mills per ton per mile for carrying coke to Utah; although in the former case the haul is but 500 miles (Cheyenne to Omaha), while in the latter case it is 1,036 miles (Omaha to Salt Lake). It is true that the wheat is brought out on a generally descending, and the coke is carried in on a generally ascending, grade; this, however, would by no means account for the difference in rate, which is apparently fixed with a simple view to what the business is believed to be able to pay. The instance cited is that of Pittsburgh coke, which is now laid down in Salt Lake City at $26 a ton, a reduction of $7 from former prices. Of this $26 no less than $24.15 represents freight paid to the several carriers for transportation, of which the Union Pacific exacts for itself three-fifths, making no concession to the consumer.

Meanwhile a good coking coal is now found also in Colorado, and in this case the policy of the Union Pacific is even more pronounced. The Colorado coke destined for Ogden reaches the Union Pacific at Cheyenne, the same point where it receives the Colorado wheat destined for Omaha. The haul is in each case the same, 500 miles; but while on the wheat going out the tariff rate is 5 mills per ton per mile, on coke going in it is four times that amount, or 2 cents per ton per mile. There can be no doubt that either from Omaha or Cheyenne a tariff of 1 cent per ton per mile on coke to Utah would yield the Union Pacific a sufficient margin of profit. On the equally heavy mountain divisions of the Pennsylvania and Baltimore and Ohio roads that rate for much shorter hauls would be regarded as high. The business, by no means inconsiderable now, responds immediately by a large increase in volume to each reduction in rate. A reduction to 1 cent per ton per mile would mean a saving of $5 per ton, or about three times its original cost at Pittsburgh, on all the coke used in the smelting works of Utah.

Turning now to the coal tariffs of the road, the corporation, as is well known, is a large miner from deposits on its own lands, as well as a carrier. Its mines are situated on the western half of its line, and the coal from them is carried west to Ogden and east to Omaha. From Rock Springs to Omaha, a distance of 830 miles, in one portion of which the heavest adverse grades in the road have to be surmounted, the freight is about $5.75 per ton, allowing $1.25 as the cost of mining and 50 cents for profit, or a little less than 7 mills per ton per mile. At Omaha the Rock Springs coal comes in competition with that from Iowa, and the rate is thus fixed by competition. On the other hand, the distance from Almy, the point of supply, west to Ogden is 80 miles, and the tariff rate is $2.50 per ton, or a little more than 3 cents per ton per mile; the grades in this case being all descending. In other words, the company carries its coal 830 miles to Omaha, where it meets competition, at the rate of 7 mills per ton per mile; and it also carries it in the other direction 80 miles to Salt Lake, where it meets no competition, and charges for so doing 30 mills per ton per mile. It may further be mentioned that, owing to descending grades, a locomotive can haul more loaded cars from Almy to Ogden than it can drag back empty from Ogden to Almy.

As it is not the purpose of the directors at this time to examine these questions of rates exhaustively, but simple to refer to them as illustrating certain general features of business policy, the examples given would seem to suffice. At the risk, however, of entering too much into detail, a single other example may be referred to as showing the course pursued by the company in the familiar matter of charging, in case of competition, more for a shorter than for a longer carriage from the same point.

Arguments may be urged in extenuation of this practice where the competition is severe but temporary. There may be reasons against the complete disarrangement of a system of reasonable local rates merely because an unreasonably low rate to a single point is expedient for the moment. This happened on the Union Pacific during last summer, when a violent competition over the Colorado business temporarily forced rates from Omaha to Cheyenne to a quarter part of the local rate then made from Omaha to Sidney, 100 miles east of Cheyenne. The directors do not here propose to discuss the question whether these arguments are entitled to consideration or otherwise under such circumstances as these. What was, however, in the case of Sidney a temporary exception to a rule, will be found at other points on the Union Pacific to be the rule itself. Take, for instance, Evanston as compared with Ogden. The latter point, as being the western terminus of the Union Pacific and the eastern terminus of the Central Pacific, is naturally a competing point—that is, the place can be supplied from either eastern or western distributing centers, from Chicago on one side, or from San Francisco on the other. Accordingly, in order not to lose the business, the Union Pacific is frequently compelled to make competition rates to Ogden, so that the tariff on many articles to that point is lower than it is to other points much nearer Omaha, of which Evanston is one. In such cases the company professes to give Evanston the benefit, as it is termed, of the competing rates—that is, in making the rate from Omaha to Evanston (954 miles) it charges the full through rate from Omaha to Ogden (1,036 miles), and then adds to it the local rate from Ogden back to Evanston (78 miles). In this way Evanston enjoys the benefit of competition by having its geographical distance from Omaha, as compared with Ogden, increased 156 miles, upon one-half of which the full competitive rate, and upon the other half of which the full local rates is charged.

This method of making a so-called competitive rate to local points is, of course, not peculiar to the Union Pacific. It is in use on many of the roads of the Western States, and is a fruitful source of complaint. It is one of those harsh outgrowths which seem to be inseparable from all uncontrolled railroad competion, and the remorseless length to which the abuse was at one time carried contributed more than any, or probably than all other causes combined, to the Granger agitation of 1871-'75. To whatever extent such discriminations may have been justified, however, if at all, under the extreme results to which more eastern roads were driven by the pressure of an unbearable competition, there would certainly seem to be no excuse whatever for them in the case of a road circumstanced as the Union Pacific now is. Such a policy of petty discrimination can hardly be deemed otherwise than wholly inconsistent with any high sense of public responsibility.

The instances which have hitherto been cited have been drawn wholly from the tariffs of the company on its local traffic. As is well known, however, this is by no means its most remunerative traffic. The Union Pacific is essentially a through line. Of this portion of its business, also, for reasons which will presently be alluded to in detail, it enjoys a comparatively undisturbed possession. In referring to its through business, however, it is necessary, in order to avoid drawing unfair inferences, to bear certain considerations clearly in mind. In the first place, though the profit derived from it by the Union Pacific is manifastly large, the total burden imposed upon the public is by no means proportionately heavy. The exceptional profits in great degree result from that system of arbitrary division which has already been referred to. To the shipper it is a matter of no consequence, provided he does not pay for the whole carriage of his goods more than is reasonable, whether the New York Central, or the Rock Island, or the Union Pacific gets more or less than its fair proportion of the whole amount paid. That is a question which concerns simply the various carriers; and, as a rule, they may safely be left to take care of themselves. Meanwhile these through continental rates are especially under the control of the Pacific roads; the Central making the East-bound, and the Union the West-bound. A noticeable illustration of the absence of that sense of high public responsibility in the management of a trust, which the directors have referred to, was during the last season furnished in connection with those West-bound rates.

In the month of July last, a sudden announcement was made that the tariffs on through freighting business over the Pacific roads had been altered, and that, while the classification of certain articles had been changed, the rates upon others had been advanced from 50 to 100 per cent. The reason of this movement, which naturally excited surprise as well as indignation among those affected by it, was not at first apparent. It was, however, soon learned. It was purely strategic. The company did not really propose to raise its tariff rates; on the contrary, it was ready to slightly reduce them; but it did propose to take full advantage of its position to secure as much as possible of the transcontinental business. As a first step toward this, it practically did away with its open tariff, by the very simple process referred to. Under the open tariff, at the old rates, the larger business firms dealing between the two coasts had a choice of routes—that by water and that by rail. They, in practice, availed themselves of this option by sending their coarser freights, or those in regard to which time in delivery was immaterial, by water, at the lower rates; while the more costly wares, or those requiring immediate delivery, were forwarded overland. The object of the Union Pacific was to put a stop to this practice. This they did by largely raising their freights, which put an effectual stop to shipments under the open tariff, while, at the same time, they offered to all the large firms which would contract to make their shipments wholly by land, special rates at a reduction even from those in force before the change. It was thus a distinct step backward, for it amounted to the abandonment of a published and open tariff in favor of a system of private special contracts.

This move was, therefore, not only one of great importance, but it was open to serious objections. It was made, not by a petty local road, nor by a competing trunk line, but by a great, subsidized continental thoroughfare. As such, it might naturally be inferred that it was made only after ample consideration, and with the authority of the full board of directors. It is, however, a fact singularly illustrative of the absence of that sense of public responsibility in which the policy of the Union Pacific is now shaped, that this measure, which practically put in irons the transcontinental business of the country, was devised by two freight agents, was never, before being publicly announced, submitted for consideration even to the executive committee of the board of directors, much less to the full board, and was finally put in force to the utter surprise of the public, on the verbal authority, so far as can be ascertained, of the president and a single director.

It is unnecessary to comment on such a method of corporate management. It speaks for itself. Meanwhile, so far as the measure is concerned, the objections to it are apparent. The through business over the Union Pacific is mainly done by large houses. This is natural enough, for such houses can, of course, do it most cheaply.

The measure under discussion, however, made it impossible that this business should be done by any but the large houses. They have special contracts covering it at less than published tariff rates. More than this, it locks up, in secret, transactions which more than all others should be public. The special contracts may be equal as between shippers, or they may not. The directors have every reason to believe that they are, but they none the less are lacking in that element of publicity which in such matters will always remain the one real safeguard against discrimination.

The passenger movement over the road is necessarily light, and must not be judged by the standards in use at the East. The people dwelling along the line have small occasion to travel to and fro over it, and through passengers and immigrants are provided with a fair train service at not unreasonable rates. The local fares run to as high a point as 9 cents per mile on some portions of the mountain divisions, which, of course, would be a good cause of complaint if there was any travel to be affected by it. The average local fare is about 3.5 cents. The exceptionally heavy local fare charged between Omaha and Council Bluffs will be more particularly referred to in another part of this report. On through passengers the average fare is 3.13 cents per mile; on through and local both, including immigrants, it is 3.33 cents. These rates would seem to be about 50 per cent. higher than those charged in Massachusetts, for instance; and, taking into consideration the nature of the country and the character and industrial pursuits of the population, they are not on the face of them unreasonable. Indeed, they are not so high as would naturally be expected. What other and different results might be made to appear from a more critical analysis on the spot of the actual working of the tariffs the directors are unable to say. They have had no opportunity to make such an analysis of them.

Before passing from the consideration of the policy pursued by the Union Pacific in its relations with the general business public, there are certain matters touching the course which Congress has adopted towards that company which it seems necessary to refer to. From the well-known circumstances connected with the construction of the road, as well as from the fact that the United States Government is its largest creditor, Congress has always been in a position to exercise a great, if not a controlling influence even, over it. It might, through a conservative and intelligent public supervision, have developed the idea of responsibility in the management, and compelled the adoption of such a liberal and far-sighted policy as the directors have endeavored to suggest. In doing so, it would naturally have looked to the increased benefits to be derived from the more rapid development of the country, to reimburse the Government for its outlays on the enterprise, rather than to any immediate cash repayments out of profits to be derived from a pure money-making system of tariff charges based on hard business principles. It seems fairly questionable whether by its recent legislation Congress has not committed itself in a certain degree to another and a less liberal course. By the act of May 7, 1878, commonly known as the Pacific Railroad funding bill, the Government would seem to have given its formal approval to the present business policies of both those corporations, by insisting on having a share of their results. In the report which accompanied that act (Senate No. 111) the committee very distinctly rest it on the large net earnings of the road to which it applies, and express the opinion that those earnings "will be largely increased in the future," and, again, that they "in the future will not be less than they were in the five years" 1872-'76. Those net earnings in part were, however, and if maintained they will in the future continue to be, the direct result of that policy on the part of those managing the Union Pacific which the directors in this report have felt it their duty to criticise. The directors have already intimated their belief that the percentage of net earnings (58 per cent.) returned by the Union Pacific during the last three years is considerably larger than it should have been. The adoption by the company of a liberal policy as respects renewals and local business development would unquestionably for some years to come decrease that percentage. The Government should, however, for obvious reasons, exert all its influence to that end. Meanwhile, the legislation referred to would seem to sanction that wholly different policy in the unnaturally large results of which it is proposed to secure its fair share to the National Treasury. The Government becomes, in short, one of the principal beneficiaries from a system of railroad management which is, to say the least, in some respects unjust, in many respects harsh, and in nearly all respects illiberal to its own citizens. While the Government occupies this position, it would seem difficult for those who represent it more immediately in the direction of the company to exercise any considerable influence in favor of a policy more liberal but less immediately profitable.

Passing to the relations of the Union Pacific with other members of the general railroad system of the country, they would seem to be of three different descriptions—its relations with connecting roads, with competing lines, and with feeding lines. The Central Pacific is obviously the most important of the roads connecting with it. The relations of these two companies seem always to have been sufficiently harmonious They compete with each other only for the Utah business; and, as respects that, they have agreed upon a tariff of rates which they deem not unreasonable, and, subject to this tariff, business is allowed to take its own course. As the dealings of Utah have hitherto been mainly with the East, the bulk of its business has come to the Union Pacific. How long this will continue to be the case may admit of growing doubt. Already, under the existing tariff, Australian coke is being brought to Salt Lake in competition with that from Pennsylvania. London would also appear to be the great market for the productions of Utah. In time, therefore, it would seem not improbable that those products will seek the seaboard by a local transit of 900 miles to San Francisco, rather than by one of 2,500 miles to New York. Should a tendency in this direction develop itself, it will probably materially affect the relations of the two Pacific roads.

In its relations with those more eastern roads which, connecting with it at Omaha, complete the transcontinental route, the policy of the Union Pacific has been single and consistent. Those managing its affairs have uniformly claimed, and have as a whole succeeded in a marked degree in securing every advantage in the division of through rates which the circumstances or fortunate geographical position of the road could warrant. The result has been a great financial success, and speaks highly for the business capacity of the company's agents.

The relations of the Kansas Pacific and the Burlington and Missouri River, in Nebraska, with the Union Pacific, as connecting roads, have for years engaged the attention both of Congress and of the Department of the Interior. As they have repeatedly been investigated and reported upon, their further discussion here does not seem necessary. It is sufficient to say that, so far as the Burlington and Missouri River Road is concerned, the two companies have never been able to agree upon a proper construction of the law or upon any terms for the general exchange of business. The two roads are, accordingly, operated without any regard to each other. No through rates on merchandise seeking to pass from one to the other are made; and any person wishing to use the two lines as a joint route, is delivered by one at Kearney at the local fare, and is there received and forwarded by the other on the same terms. A similar condition of affairs prevailed until the last spring between the Union Pacific and the Kansas Pacific. A contract was, however, then made looking to a business consolidation of these two corporations. A copy of this contract is herewith submitted. It will be observed that, so far as competitive traffic is concerned, it is of the closest character and widest scope; it effectually disposes of it. This arrangement, for reasons which it is unnecessary to discuss, was not consummated and the control of the western portion of the Kansas Pacific is now in litigation. The two roads are, meanwhile, so far as any interchange of traffic is concerned, as far apart as ever.

While it is very undesirable that this state of affairs should continue, it may well be questioned whether the time has yet come for a consolidation of the nature just referred to. It would result in the complete disappearance of competition. For this, so far as the directors are competent to form any opinion, the region west of the Missouri is not yet ready. The roads are few in number, and there are no natural channels of communication. The rates currently charged are high, and public opinion, while restive and uneasy as respects railroad corporations, is uninformed as to the proper remedies through which relief must be sought. No governmental machinery exists to secure publicity and the free discussion of abuses; nor, indeed, has the first well-considered step been taken as yet to secure that intelligent public supervision over railroad management which can alone supply the place of active and even ruinous competition. Until some such system can at least be partially matured, such a combination as that of June last must be regarded as against public policy. Had it been carried into effect, it would inevitably have resulted in some arrangement through which the Burlington and Missouri in Nebraska would have received a portion of the results of the through business satisfactory to its management. Thereafter the people and business interests of the vast territory served by the combination would have been wholly at its mercy. It only remains to add that the agreement of June 1 was both executed and had broken down before the present Government directors had been assigned to their positions on the committees of the board.

Though the time for a practical business consolidation of the Union Pacific with the branch lines connecting with it has not yet come, yet every possible consideration of public interest demands that those roads should be operated with a certain degree of harmony. They should not, at least, be permitted to wholly ignore each other, as they now do, except, perhaps, in the way of hostilities. Some provision should be made at an early day to secure over them the unrestricted movement of persons and property at reasonable rates. This, as is plainly apparent throughout the several charters, it was the original intention of Congress to secure. Meanwhile, it is one of the curious practical results of railroad competition that the only roads in that vicinity with which the Union Pacific hold no business relations at all are the branch lines west of the Missouri with whose tracks it has a direct connection, and which were especially chartered to connect with it.

The directors do not propose to further discuss a subject already so fully considered.

Meanwhile, it may not be out of place for them to remark that the difficulty which surrounds it would appear to have been needlessly, unless it was intentionally, magnified. This, to a certain degree, may be due to the use of technical terms which are not strictly applicable, and the meaning of which is not fully understood. The question involved in this controversy is not, as is commonly supposed, one of prorating, as it is called. It is, on the contrary, simply a question of the interchange of business between connecting roads on reasonable terms. The practice of prorating is merely one method of arriving at a division of receipts from a common business. It is a method, also, which, so far as the directors are informed, has never been adopted in the legislation of any country; it is peculiar to the voluntary dealings of the corporations among themselves. The measure of reasonable rates at which business shall be exchanged between connecting roads is of wholly a different character. The machinery by which it is established is a familiar feature in railroad legislation, as precedents for it exist in the laws of many foreign countries, as well as in those of several States of the Union. It amounts simply to a compulsory reference of the points in dispute, on the application of either party, to an impartial board of arbitrators, whose decision as to what is reasonable, under all the circumstances of the case, is final and binding on all concerned for a fixed period of time. If in this case the companies are unable to agree, the directors see no reason why a satisfactory compulsory settlement in the interest of the public should not be reached in this way.

The conditions of the Union Pacific as respects competitive business generally are very simple when compared with those under which railroads are operated in the more eastern sections of the country. It is forced to compete with the Panama route and the Pacific Mail Steamship Company for a portion of its through business; with the Central Pacific for the Utah business; with the Missouri River for the Montana business; with the Denver roads for the Colorado business, and with the Burlington and Missouri River, in Nebraska, for a portion of the Nebraska business. The competition with the Panama route has hitherto, except at brief intervals, been regulated by contract. The Pacific Mail Company has received $5 on account of each through passenger by the overland route, and the Pacific roads have also guaranteed it freight money to the amount of $42,000 per month. This arrangement terminates during the present month. It is understood, however, that it will be renewed on terms somewhat more favorable to the steamship company, though not essentially different. It is in the nature of a "pool." Under it all active competition between the two routes ceases, and rates of fare and freight are sustained. The understanding between the Union Pacific and the Central Pacific roads, as respects the Utah business, has already been referred to. The only competition, then, would seem to be that between the eastern and western points of distribution. The competition with the Missouri River lines for the Montana business is real, but not severe. It is met in the usual way. Through rates are carefully reduced and graded, irrespective of distance, so that the competitive points may be reached and held. During a portion of the present year the competition for the Denver business was both real and severe. The rates from Chicago to that point were forced so low that the Union Pacific carried merchandise from Omaha to Cheyenne on the way to Denver for 1 mill per ton per mile, while the usual local rate between those points on the goods of the same description was from 12 to 18 times that amount. These rates were in force, however, only about six weeks, when they resulted, as such struggles always must result, in an agreement of the competing lines and practical division of the business.

During the last few years, however, and under the management of those who now control it, the policy of the Union Pacific has been to protect itself from competition in another way. It has sought to occupy the territory adjacent to its line in advance, through the construction of a system of branch roads or feeders. This seems in every respect a wise policy, and one which it is for the interest of the Government to encourage. Through it not only are much-needed railroad facilities furnished, but the net earnings of the company being thus applied, the permanent value of the property as a security for the advances made to the corporation by the Government is largely enhanced. There are now five of these branch lines in which the Union Pacific is interested, either directly or indirectly, to the extent of entire possession or in part; these are the Omaha and Republican Valley, the Colorado Central, the Utah Central, the Utah Southern, and the Utah and Northern. It is not deemed necessary to encumber this report with any details concerning these branch lines, either as touching their length or their business and financial relations with the Union Pacific. If desired by the Department, these can most readily be obtained through the office of the Government auditors. Meanwhile it, of course, need not be said that these branch lines, or the securities which represent them in so far as they are the property of the Union Pacific Railroad Company, are not covered by the Government mortgages, and contribute to the security of those mortgages only in so far as these branches are valuable feeders of the main line, and as such practically inseparable from it.

The question as to whether the legal terminus of the Union Pacific road was upon the west or the east side of the Missouri River—in Omaha or in Council Bluffs—has heretofore excited much public interest, and engaged the attention of the Government directors. This question was, some years ago, finally decided by the Supreme Court in favor of the east side of the river. (Union Pacific Railroad Company *vs.* Hall, 1 Otto, 343.) As the proceedings in this matter are of public record, and as such are accessible to the Government, no further reference to it would seem to be here necessary. In accordance with this decision, the bridge across the Missouri River has become an integral portion of the through line, and the Union Pacific trains now run to the union depot at Council Bluffs. The connection with the various roads east of the river is there made.

This action of the courts would seem finally to dispose of the question of the Omaha bridge charges, which have for years been the occasion of much public discussion, especially at Omaha. It is, however, still locally urged that the bridge allowances in the division of receipts from through business made to the Union Pacific, and the rates charged for the carriage of persons and merchandise between Council Bluffs and Omaha are excessive, if not illegal; or, as it is usually stated, they constitute an onerous and special tax, which the corporation has no right to levy, of 50 cents a head on every person and $1 on every ton of merchandise which crosses the Missouri on the Union Pacific track. So far as these complaints relate to the legality of these allowances and charges, the directors do not feel it incumbent upon them to either form or express an opinion. That question the courts must decide. So far as their propriety or reasonableness is concerned, the matter is one clearly within the province of the board. As respects through passengers or freight, the allegations referred to would not appear to be sustained by facts. It is true that, in the division of receipts from through business among the connecting roads, an allowance for bridge charges is made to the Union Pacific. But it does not follow that the total amount paid either by the passenger or upon the goods crossing the river is at all increased thereby. It would seem, on the contrary, to be merely another question arising out of those methods of division already referred to. The total through rate, whether fare or freight, is a fixed sum. Before dividing this sum, a certain amount is deducted and allowed to the Union Pacific on account of the Omaha bridge. It is a mistake to suppose that if this amount were not so deducted and allowed the through rate would be diminished by an equal sum. No such reduction has usually been made in other and similar cases elsewhere, or would probably be made in this case; but, the total amount remaining the same, it is not impossible it might be divided in a slightly different ratio. In other words, the Omaha bridge allowance is a matter between the roads, in no way necessarily affecting the public, and, as a rule, the roads have been found quite capable of taking care of their own interests. In this case it is not proposed that the Government should establish a fixed through rate, and it is not apparent why it should concern itself in the division made by the roads of the rate fixed by them.

The same fares and freights are, however, charged on the local travel and traffic between Omaha and Council Bluffs as upon the through—that is, 50 cents for each person, and $10 per car or 5 cents per hundred on merchandise. As respects the last, judged by all usage, the amount named cannot be considered unreasonable as a terminal charge in a case involving such an outlay for facilities as those at Omaha. So far as the directors know, it is customary for railroads under such circumstances to demand and receive terminals, and 5 cents per hundred is not an unusual one. The case is different as respects local passengers. For them it is neither customary nor in itself reasonable to charge heavy local terminals. They handle themselves, and share the benefits of stations, bridges, &c., only in common with all other passengers. For instance, many railroads in this country terminating in great cities have far larger amounts permanently invested in terminal facilities than the Union Pacific has invested between Omaha and Council Bluffs, including those two places. For the carriage of merchandise to points on the line of such roads three miles from their termini, those roads charge and receive probably at least 5 cents a hundred. At any rate, such a charge would not be considered unreasonable. Not one of those roads, or indeed any road in the country, would think of charging a local fare of 50 cents on passengers between the same points. If they did, it would simply result in their passengers taking other means of conveyance. In such cases, 10 cents is the usual and reasonable fare, and the directors are unable to see why this should not be adopted by the Union Pacific as the local passenger rate across the bridge.

But one further subject remains to be considered. The interest of the Union Pacific Company in such portions of its land-grant as still remain unsold has, under a recent decision of the Department of Interior, become a subject of litigation. It is no part of the duty of the Government directors to discuss the merits of that question. However this litigation may result, there are certain questions connected with the Union Pacific land-grant which apparently will not be affected by it, but which, from every point of view, would seem to call for some additional legislation. As is now generally well known, the land covered by the Union Pacific grant varies greatly in character. Scarcely one-quarter part of it can be classed as arable, while more than half the remainder—some 4,500,000 acres—is supposed to be available for grazing purposes. The rest—3,000,000 acres—comes under the general denomination of waste lands, the value of which, apart from mineral deposits, depends upon climatic changes in the more or less remote future. To be of any real service these lands not arable must be held in large tracts as cattle-ranges, vast extents of which are dependent for value on the control of a water-front. The system of alternate sections in which this land is now held under the existing land-grant legislation effectually puts a stop to a disposal of it. Alternate sections only can be conveyed, and the control of a water-course in one section may imply a practical enjoyment without ownership of several adjoining sections Under these circumstances the expediency of some legislation affecting the grazing and waste lands west of a point at or near North Platte would seem to be obvious. The directors are aware that this whole subject was discussed in the annual report of the Secretary of the Interior for the year ending June 30, 1877 (p. 21), and they refer to it now simply because nothing has yet been done to carry out the recommendations then made. A personal examination on the spot shows that the matter is one of consequence. The mistake of applying legislation intended for arable lands to grazing or desert lands should be rectified, and rectified in the manner already suggested in the report referred to. An exchange should be made, the Government ceding to the railroad company all the sections on one side of the road, and receiving from it in lieu thereof all the sections on the other side of it. In this way the interests of both parties would be subserved, while title could be given to tracts of the necessary size. It is unnecessary to discuss at this time the details of the proposed legislation. The necessary provision would, of course, be made in it to protect all private rights heretofore acquired. As to its general expediency there would, however, seem little room for question.

CHARLES F. ADAMS, JR.
DANIEL CHADWICK.
GEORGE B. SMYTH.
RALPH P. BUCKLAND.
CHARLES C. HOUSEL.

Hon. CARL SCHURZ,
Secretary of the Interior, Washington.

Petition.

In the circuit court of the United States for the district of Kansas.

ADOLPHUS MEIER AND JOHN A. STEWART, complainants,
vs.
THE KANSAS PACIFIC RAILWAY COMPANY AND OTHERS, defendants.

To the honorable the judges of the circuit court of the United States, sitting in and for the district of Kansas:

Your petitioners, the complainants herein, respectfully show unto this honorable court:

I. That since the bringing of this suit, it has resulted that the operation of the railway of the defendant, the Kansas Pacific Railway Company, by the receivers herein, has been attended with great expense, and that thus far it has been found impracticable to operate the same in conformity with the duty of said defendant to the public and the Government, pursuant to the act of Congress approved July 1, 1862, and the various acts amendatory thereof, for the reason that it did not appear to the Union Pacific Railroad Company to be for its best interest to operate its road, over and upon which all through or joint traffic of the defendant, the Kansas Pacific Railway Company's road, must of necessity go, in harmony with it.

II. That for the purpose of complying with the public duty of the defendant, the Kansas Pacific Railway Company, to the public and the Government, of diminishing, so far as possible, the operating expenses of the defendant, the Kansas Pacific Railway Company, and of securing to the *cestuis que trust* of complainants the payment of the principal and interest of the obligations of the defendant, the Kansas Pacific Railway Company, to such *cestuis que trust* in a satisfactory manner, all of which said objects are dependent upon, as your petitioners are informed and verily believe, the harmonious operation of the road of the defendant, the Kansas Pacific Railway Company and the road of the Union Pacific Railroad Company, and that with a view to secure such harmonious operation, a proposed traffic agreement or running arrangement between the Union Pacific Railroad Company, the Colorado Central Railroad Company, the Kansas Pacific Railway Company and its receivers, has been prepared, and preliminarily agreed on by the representatives of the parties thereto, a copy of which is hereto annexed.

III. That your petitioners are informed and verily believe that it is for the best interests of your petitioners, and of all concerned, that such traffic agreement or running arrangement should be made and entered into by the proposed parties thereto, provided the rights of your petitioners and the other parties to this suit can be protected and secured in such manner and by such order of this honorable court as to the court shall seem just and proper.

Wherefore, your petitioners pray that if the proposed traffic contract and the proposed agreement shall meet with the approval of this honorable court, a proper order protecting and securing the rights of your petitioners and all others, parties hereto, may be entered, authorizing the receivers herein to enter into, put in operation, and carry out the proposed traffic contract.

J. A. STEWART and
A. MEIER,
By J. P. USHER,
Their Solicitor.

At chambers of the circuit court of the United States for the district of Kansas.

ADOLPHUS MEIER AND JOHN A. STEWART complainants,
vs.
THE KANSAS PACIFIC RAILWAY COMPANY AND others, defendants.

Upon reading and filing the annexed petition, together with a proposed contract, a copy of which is hereto annexed, upon all the pleadings and proceedings herein, and after hearing J. P. Usher, esq., of counsel to complainants, it is ordered that Henry Villard and Carlos S. Greeley, as receivers herein, be, and they are hereby, authorized and empowered to make and execute the proposed contract, of which a copy is hereto annexed, and to operate and manage the railroad of the Kansas Pacific Railway Company in conformity with the terms and provisions of said proposed contract until the further order of this court.

C. G. FOSTER, *Judge.*

(Indorsed:) No. 1894. Adolphus Meier and John A. Stewart vs. The Kansas Pacific Railway Company et al. Petition of complainant and order thereon. Filed June 13th, 1878. A. S. Thomas, clerk, by J. N. Strickler, deputy.

UNITED STATES OF AMERICA,
District of Kansas, ss:

I, A. S. Thomas, clerk of the circuit court of the United States of America for the district of Kansas, do hereby certify the foregoing to be a true, full, and perfect copy of the petition of complainant and order thereon, filed June 13th, 1878, in the suit of Adolphus Meier *et al. vs.* The Kansas Pacific Railway Company *et al.*, No. 1894, in said court.

In testimony whereof I have hereunto set my hand and affixed the seal of said court, at my office in Topeka, in said district of Kansas, this 15th day of June, A. D. 1878.

[SEAL.]

A. S. THOMAS, *Clerk*,
By J. N. STRICKLER, *Deputy.*

This agreement, executed in quadruplicate, between the Union Pacific Railroad Company, party of the first part, the Colorado Central Railroad Company, party of the second part, the Kansas Pacific Railway Company, and Henry Villard and Carlos S. Greeley, as receivers of the Kansas Pacific Railway Company, party of the third part, witnesseth:

That it is agreed between the parties hereto as follows:

First. That the railroads of the parties hereto shall, under the general direction of the Union Pacific Railroad Company, be managed, operated, and controlled as one property.

Second. That to this end all the tolls, incomes, rents, issues, and profits, arising from the freight, passenger, and all other traffic of, over, or from the said railroads (including the existing branches of the Kansas Pacific Railway), hereafter referred to as gross earnings of the parties hereto, including the bridge of the party of the first part over the Missouri River, between Omaha, in Nebraska, and Council Bluffs, in Iowa, shall constitute a common fund or pool.

Third. That gross earnings, contributed by the parties hereto, shall be apportioned, divided, and remitted monthly to the proper officers of the respective parties hereto, as follows, namely:

	Per cent.
To the party of the first part, for its main line	.72858
To the party of the first part for its Omaha bridge	.02776
To the party of its second part	.04673
To the party of the third part	.19693

These percentages having been arrived at by mutual agreement, the earnings of the properties of the parties hereto for the preceding year having been treated as the basis of this apportionment, the said earnings for the preceding year having been agreed to, have been as follows, viz:

Of the party of the first part for its main line	$12,473,203
Of the party of the first part for its Omaha bridge	475,273
Of the party of the second part	800,000
Of the party of the third part	3,371,301
Aggregating gross earning for preceding year	17,119,777

Provided, however, that if the contributions of either of the parties hereto for its gross earnings, for any month, shall be in excess of its distributive share of the total gross earnings, upon the basis of this article, that there shall be retained by such party out of the aggregate gross earnings for such month, in addition to the distributive share allowed to it out of such gross earnings, the sum of 50 per cent. of such excess of freight earnings, such sum to be allowed to such party as a compensation for the cost of conducting the transportation of freight by it, but not to be allowed for the transportation of passengers.

Fourth. That within thirty days after the expiration of the first year after the execution of this agreement, and within thirty days after the expiration of each succeeding year of the period covered by this agreement, a readjustment of the above-named percentages shall be made upon the application of either of the parties hereto, if they do not otherwise agree, in the following manner: The party of the first part shall nominate two disinterested experts, one of whom shall be charged with the duty of representing and acting in the interest of the Omaha bridge, the other of whom shall be charged with the duty of representing and acting in the interest of the main line of the party of the first part, and the parties of the second and third part shall each nominate a disinterested expert, each of whom shall be charged with the duty of representing and acting in the interest of the second and third parties, respectively, and if the experts so nominated shall unanimously agree upon a decision of the matters and questions submitted for their determination, such decision shall be final for the succeeding year; but if they shall not agree upon a unanimous decision, said experts shall agree upon a fifth expert, and a decision of a majority of said five experts upon the matters and questions submitted for their determination shall be final for the succeeding year; and it shall be the duty of such experts, in considering the matters and questions submitted for their determination, and in forming their decision thereon, to give careful and due regard to the natural and legitimate growth of local freight and passenger traffic of the railroads of the parties hereto, that in determining the percentages of the respective parties hereto, the railroad of each of the parties hereto shall receive due allowance for earnings from freight or passenger traffic naturally belonging to said railroad, respectively; and it shall also be the duty of such experts to give full force and effect to the spirit and intention of this agreement, which is hereby declared to be to operate the railroads of the parties hereto as one property, and in such manner as to produce and to assure the greatest financial benefits to them as a united interest.

Fifth. That the accounts of gross receipts of all freight, passenger, and other traffic of the railroads of the parties hereto shall be kept by the proper officers thereof, and all of said receipts shall be remitted to the joint treasurer of said companies at Boston under such rules and regulations as the managers shall direct.

Sixth. That each of the parties hereto, when it can consistently be done without especial difficulty or injury to itself, will, if required, accommodate either of the other parties hereto with materials and supplies used in operating said lines of railroads at the same rates charged to itself, by whom the same may be furnished, and that the rate of transportation of said materials and supplies shall be 1 cent per ton per mile.

Seventh. That this agreement shall continue operative and controlling upon the parties hereto for fifty years from the date of its inception, which last-named date shall be within thirty days from the making hereof.

Eighth. That this agreement is subject to the ratification of the United States circuit court for the district of Kansas, in the suit of A. Meier et al. *vs.* The Kansas Pacific Railway Company et al.

In witness whereof the parties hereto have caused the same to be executed by their executive officers, this first day of June, one thousand eight hundred and seventy-eight, the receivers signing the same with their own proper hands.

THE UNION PACIFIC RAILROAD COMPANY,
By SIDNEY DILLON, *President.*
KANSAS PACIFIC RAILWAY COMPANY,
By ROBERT E CARR, *Pt.*
COLORADO CENTRAL RAILROAD COMPANY,
W. A. H. LOVELAND, *Prest.*,
Per J. P. USHER.

Witness:
H. H. CLARK.

C. S. GREELEY, *Receiver.*
HENRY VILLARD, *Receiver.*

39.

The Western Union Telegraph Company. Dated Pine Bluffs, Neb., 11, 1878. Received at Leavenworth, Kas., June 11, 2.20 p. m.

To Hon. J. P. USHER:

Executive Committee of Colorado Central have ratified the pooling contract, and I have signed the copies here. You are authorized to sign the Colorado Central contract in your possession as attorney in fact. Answer if this is satisfactory.

W. A. H. LOVELAND,
Pres. C. C. R. R.

43 D. H., via Om.

(Endorsed:) No. 1894. The Union Pacific Railroad Company with the Kansas Pacific Railway Company and others. Agreement. Dated June 1st, 1878. Filed June 13th, 1878. A. S. Thomas, clerk, by J. N. Strickler, deputy.

UNITED STATES OF AMERICA,
District of Kansas, ss:

I, A. S. Thomas, clerk of the circuit court of the United States of America for the district of Kansas, do hereby certify the foregoing to be a true, full, and perfect copy of the agreement between the Union Pacific Railroad Company and the Kansas Pacific Railway Company and others in the suit of Adolphus Meier *et al. vs.* The Kansas Pacific Railway Company *et al.*, No. 1894, in said court.

In testimony whereof I have hereunto set my hand and affixed the seal of said court, at my office in Topeka, in said district of Kansas, this 14th day of June, A. D. 1878.

[SEAL.]

A. S. THOMAS, *Clerk*,
By J. N. STRICKLER, *Deputy.*

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILROAD COMPANY.

WASHINGTON, D. C., *December* 4, 1879.

SIR: The Government directors of the Union Pacific Railroad Company made their annual inspection, including road-bed, rolling stock, workshops, rolling-mill, and accounts in the month of August last. One member of the board was not present, but he made a separate inspection of the road in October.

From the 1st day of July, 1862, when the act of Congress was passed incorporating the Union Pacific Railroad Company, up to the 7th day of May, 1878, when the Pacific Railroad "funding bill" became a law, there has been continual conflict between the company and the United States Government. The point in dispute has been in what way, at what times, and in what sums the debt to the Government should be paid. The funding bill settles these questions, and declares that the company shall pay $800,000 annually to the Government, in addition to one-half the earnings on Government account, or a sum which, added to such half, would equal 25 per cent. of net earnings, all to establish a sinking fund with which to pay, at its maturity, this whole indebtedness. A question arose as to the constitutionality of this act, and it came before the Supreme Court of the United States for decision. The court has declared that the act is constitutional, and this report will therefore not refer again to these differences.

It will be confined to the condition of the road during the last year, and to a consideration of the question whether the security of the Government for its loan of $27,235,512 is greater or less than it was one year ago; whether any competing lines of railroad are likely to be built, and, if built, will decrease the value of this road, and thus decrease the safety of the loan; and also how far the Government should control the affairs of the road and feeding lines, and whether the present policy of the company is likely to increase or diminish the Government's security.

We find improvements in the road-bed at various points. In many places, where the track is exposed to drifting snows, the bed has been raised. This work is to be continued as fast as possible until all parts of the track are high enough to be clear from drifts. This must be done gradually. East of Cheyenne twenty-six places can be counted where one year ago were small bridges. These have been taken out and their room filled with soil. Where solid earth can properly be put in the place of a bridge, there can be but one opinion as to the wisdom of the change.

New cross-ties are visible at short distances throughout the road; the books of the company declare that 331,483 new ties were laid between January 1 and September 30, 1879. Of these 61,212 were of oak, 224,883 of pine, and 45,284 cedar. The ties are purposely laid with their ends out of line, thus affording a broader distribution of pressure. On the Central Pacific, on one side of the track, the ends lie even, and in many places on both sides. Experts differ as to the respective advantages of these two methods.

There is a marked improvement in the track. The policy of the company in the renewal of its track with steel rails has been changed. Last year an annual renewal of one-tenth was thought adequate. Our report then rendered criticised the latter policy. Fifteen thousand five hundred and twenty-six tons of steel rail have been laid on the western half of the road, and 4,474 tons are to be laid before the 1st day of January next, making 20,000 tons in all, equal to about 228 miles of track the present year. This will give 511 miles of steel rails of good quality in the main track, or about half the line. These rails were purchased by advice of President Dillon more than a year ago, at the low rate of $48 per ton delivered at Omaha. More steel rails have been laid the present year than in any year before.

Twenty thousand tons more of steel rails have been purchased or contracted for at the date of this report, and will be laid next year. The road will then have about 739 miles of single-track steel rails—about three-quarters of its length. The eastern half is as yet mainly iron. The Government directors have had no opportunity to test the quality of these steel rails.

Portions of the iron rails are badly worn, and these are being gradually replaced. It is remarkable that some of the old iron rail known as the "Cambria" rail, made at

Johnstown, Pa., now in use after twelve years of wear, is as good as the average new iron rail. There are 100 miles of this rail between Ogden and Cheyenne. Nearly all the rails are laid with square joints and on the cross-ties. This, together with a low rate of speed, makes it one of the easiest riding roads; a track laid with broken or lap joints is apt to give a rolling and unpleasant motion.

The Union Pacific, like all the other great lines west of the Missouri, is, strictly speaking, a single-track road. The low rate of speed of these lines, the infrequency of local trains, and the free use of the telegraph enables a single track to do the work of a double one with nearly equal safety. Members of the board walked over portions of the track, and found in places here and there, east of Cheyenne, on the main line, some "Cambria" iron rails which had been cut and relaid, less than 16 feet in length; no such places were found on the western half of the line.

The rolling stock is in good condition. Perhaps this is in part because it is rarely permitted to leave the road. Neither freight, passenger cars, nor locomotives come east of Council Bluffs. At that place freight and passengers nearly all change cars. The rule is a good one. Rolling stock receives better care at home than can be expected at the hands of strangers.

The rolling stock consists of 179 locomotives, 165 passenger, baggage, and sleeping cars, and 3,216 freight cars. The increase of freight business, especially during the latter half of 1879, has made it necessary to have more cars; over 100 new stock cars have been ordered and are now building, in part, at the shops of the company at Omaha; also 100 new flat cars and 150 box cars.

The books show that 10 new engines, all ten-wheelers, of uniform pattern, made at Taunton, Mass., have been put on the road since January 1. The economy of uniform engines, whose pieces are interchangeable, is evident; the parts can be kept in store and ready for use. Thirty more new engines of the best kind have been contracted for at the low prices of last year and will soon be running. If bought at present prices these would cost probably $70,000 more. Seventy-two engines have spark-arresters. These are a marked addition to the comfort of travelers.

One new car, for a special purpose, unique in its design, has been built in the company's shops at Omaha. It is a cattle car, so arranged that at short intervals, in hot weather, cold water can be forced from a tank into pipes pierced with minute holes laid along and under the roof of the car and sprayed upon the cattle below. The utility of this car is yet to be tested. It cost about $550. In the long ride from Pine Bluffs, Julesburg, Ogallalla, and other points from which the largest numbers of cattle are shipped, such cars, it is hoped, can be used with profit.

Ordinarily the company is able to build all its own rolling stock, except engines, at the Omaha shops. Here it does its own silver-plating, its upholstering, and in fact nearly all of its mechanical work, except that which belongs to the rolling-mill at Laramie, and to the repair shops at Rawlins. All passenger cars have the Miller coupler and buffer, and the Westinghouse air-brake; the company own these rights in perpetuity.

Many new water-tanks have been put up or the old ones renewed since last year. These are mounted on iron columns, and are frost-proof and nearly fire-proof; the supports of the old tanks were ungainly and unsafe. New tanks of a similar kind will be placed along the remainder of the road. The company are making great improvements and additions to the water supply, not only at water-stations but also at other points. At Rawlins a 4-inch pipe is being laid from Cherokee Spring which will supply 55,000 gallons of water per day; the supply here at present, which is drawn from another spring, does not exceed 25,000 gallons per day in dry times, and 55,000 gallons in the rainy season.

Great improvements have been made in a number of the station-houses during the year. Some of the remaining ones might be replaced by others larger and more commodious, and more in keeping with the growth of the communities immediately surrounding them. The less frequented ones are as yet ample.

The new depot at Council Bluffs deserves special notice. All east and west bound passengers change cars at this station; the rooms for reception and for offices are large and convenient. The upper stories are used for hotel purposes and afford a revenue. Six lines of road find a station here common to all. The Chicago, Rock Island and Pacific, the Northwestern, the Chicago, Burlington and Quincy, the Sioux City and Pacific, the Kansas City and Saint Joseph, and the Wabash, Saint Louis and Pacific all contribute to the support of this station by the payment of annual rental to the Union Pacific.

There are two stock-yards connected with the road. One of them, at Omaha, having a capacity to feed and water 2,000 head of cattle daily, and the other, at Council Bluffs, with a capacity to feed and water 7,000 daily. The yards at Omaha are managed by private enterprise; they are convenient; and, with the great increase in the cattle trade, they will keep their share of business. The yards at Council Bluffs have been lately built. They are located so that they can be extended, from time to time, to meet increasing demands.

More attention should be given to the care of cattle *in transitu*, both for the sake of humanity and to preserve the quality of the beef until it reaches a market.

The rolling-mill at Laramie is complete in its arrangements. Here the company replace their worn-out iron at one-third less cost than they could under contract. Nearly all narrow or standard gauge rails used on the branch lines are rolled here. The company are now building a "merchant-bar" mill attached to the rolling-mill, and the two are to be operated together. Here is utilized the scrap iron. Fastenings for rails and all small irons used on the road are made here. The economy and skill displayed in the conduct of these works are worthy of notice.

The ability displayed, and the interest taken in the business of the company by subordinates, deserve commendation. Most of these persons have been many years employed on the road, and some have risen from the lowest to the highest places. The principles upon which the civil service regulations are founded are in operation. Promotion by merit is the rule. No new comer is appointed to any place when a suitable person, lower in the ranks, can be found to fill it. The same rule is in force on the Central Pacific, with this addition, that the applicant for any place, except, perhaps, of the lowest grade, must be able to receive and send messages by telegraph. The wires seem almost as necessary to these roads as are the rails.

During the last year three wrought iron truss-span bridges, of 150 feet each, have been built, viz, the Loup Fork, Fort Steele, and North Platte bridges. Eight wrought iron truss-bridges are now in course of construction. Six of these are 150 feet in length, and two of them 125. The abutments have been put in good condition. Thirty pile bridges, 1,300 feet in all, have been rebuilt with oak, cypress, and cedar. In the trestle-and-pile bridges at Bitter Creek, Black's Fork, Big Muddy, and Yellow Creeks, and in the principal pile bridges in Weber and Echo Cañons, the old stringers have been replaced with new ones.

All new stations are built on the south side of the road. The snow eddies and drifts, and blocks the track near stations on the north side.

The increase from the coal traffic can only be measured by the growth and settlement of the country along the main line, its branches, and the connecting lines. A coking-furnace has been erected by the company at Omaha, where experiments in coking the coal of the company are being made. No practical result has yet been reached.

During the last year the Kansas Pacific Railway has passed into the control of this company. Both roads have the same general manager and the same superintendent of telegraphs.

The increase of cattle traffic from the West has been nearly 40 per cent. Up to November 6, 1878, 4,082 car-loads of cattle were delivered at Omaha and Council Bluffs, and up to November 6, 1879, 5,694 car-loads had been delivered, an increase of 1,612. The total number of cars of cattle received at Omaha and Council Bluffs during the year 1878 was 4,780, and the total number for this year will be at least 6,980. The exact figures cannot be ascertained at the time of writing, nor can the exact number of loads of hogs and sheep delivered at these two stations during the past year be now given. The accounts are not all in, but judging from those received, it is safe to say that these shipments of 1879 will exceed those of 1878 by at least 50 per cent.

The cattle trade of the Union Pacific is increasing rapidly, and a large share of the earnings of the road is derived therefrom. This traffic cannot be taken from it. Probably there is no part of the United States more adapted to raising cattle than the territory lying between Evanston and the North Platte. The largest cattle dealers say that here cattle care for themselves the year round. Since the settlement of the country there has been no winter when they have not found food and lived without shelter. Large tracts of bunch grass are left bare by the drifting of the snow. Five per cent. will cover the loss from inclement weather. To these lands young cattle are driven from Texas and sold at about $9.50 per head. One year's growth adds at least $6 to their value, and the second year about the same. Cattle thrive wonderfully upon this grass. Buyers of Texas cattle can brand their stock and herd them; or may herd them with the droves of large dealers, who charge $1 per head a year for the service. In two years these cattle are fit for the Eastern market, and will be delivered by the dealers on the cars: and, if it is desired, sold for account of the owner. The cattle business appears to be very profitable and yet in its infancy. On a single day in October last, 241 car-loads of cattle were shipped on this road.

A considerable portion of the cattle arriving at Omaha and Council Bluffs are distributed through the rich farming regions of Eastern Nebraska and of Iowa. Here the farmers find greater profit in feeding their corn through the winter than in marketing it. In this way the cattle may be said to carry the corn to market. It saves handling. The business of thus feeding corn has more than doubled during the last year.

The company does all express business on the main line and on the feeding or other lines directly controlled by it. The economy of this is apparent. Every employé becomes an express agent without expense. The profits from this business are now over $40,000 monthly. It is possible or probable, that, with the large extension of feeding lines and the natural increase of the express business, the income from this source will, in time, nearly pay the annual interest on the bonded debt. Many railroads have farmed out this business when the profits from it alone would pay a fair dividend—a fact suggestive of some irregularity in railway administration. The entire cost of managing the express business of the Union Pacific Railroad does not exceed, say, 12 per cent. of its express receipts. A superintendent and a few clerks and messengers are all the extra help required. Millions of dollars yearly, which should form a part of the income of railroads, are drawn off by express companies. As commonly begun, these companies have their origin in combinations made with railroads, upon terms more or less occult or corrupt. Persons who stood in the place of guardians of the interests of stockholders struck hands with express companies, to the great and increasing detriment of the roads. No one, it is true, foresaw the present magnitude of the express business throughout the country, or supposed that it would absorb the largest and best part of railroad profits. In the very nature of things the same business can be done more cheaply by the roads themselves. Where contracts between express companies and railroads are still in force, and can be terminated only on notice, steps should be taken to terminate them. Where the contract is of a more permanent kind, railroads should, by purchase, control all express business over them.

The directors learn that there is no arrangement between this road and the Atlantic and Pacific Steamship Companies as to subsidies, except the *per capita* subsidy of $5, which existed at the date of the last report. The railroads and these companies are working together harmoniously. In competitive business the traffic on the Union Pacific, the Kansas Pacific, and the Burlington and Missouri River road in Nebraska, is pooled. The road which performs the service deducts 40 per cent. for operating expenses, and the balance is divided in agreed percentages. This arrangement prevents ruinous competition, and seems, so far, to work satisfactorily. The same general plan is adopted in Colorado, as between the Union Pacific, the Atchison, Topeka and Santa Fé, and Kansas Pacific roads.

In its relations with this road, the first duty of the Government is to see that no harm comes to its own interests. Its next duty is, not so much to concern itself in the administration of the road, as it is to foster educational and other interests along the line, and promote the growth of feeding lines, at least until the debt to the Government has been paid. A traveler cannot conceal surprise at seeing that one of the largest and finest buildings, at each important place on the road, is a public school-house. He is again surprised to learn that in most instances the Union Pacific Railroad Company has given the largest share of the cost. In one instance, only two persons besides this corporation were taxed to erect the building. The Government directors suggest that the Government can, with propriety, set aside a small percentage of the proceeds of its lands along the line of the road to be used for building school-houses, or for other fixed school purposes in the various townships, always upon the condition that a like sum shall be first given by the township. Encouragement of this kind, to strengthen the Government security, is far-sighted. In this way settlers are attracted and the interests of the Government are still further protected. Perhaps, also, a little aid of this kind might help to diminish the size of some school districts, one of which at least is 30 miles long, an unreasonable distance for a walk to school.

Perhaps one of the most important means in the hands of the Government by which it could add to the security of its generous loan, is to promote foreign immigration to the rich farming and grazing lands adjacent. This can be done through its accredited agents abroad, who should be authorized, when asked for information, to give it fully, and consuls should be supplied with printed details in various tongues. No special inducements to immigrate should be held out. Only facts should be stated; and such a course would not be at variance with the comity of nations.

During the year ending November 1, 1879, the company has sold 220,781.91 acres of land for $936,443.70. Immigration to lands along the line of the road is very large and in excess of last year. Agents are now in Sweden and Norway and elsewhere abroad, who have been sent out by the company to give correct information to persons desiring to immigrate. In Sweden and Norway many thousands are anxious to find new homes on or near this line and other Western roads. The ancestral farms have, from generation to generation, been cut up and divided among sons and daughters, until the portions are now too small to be again divided.

After careful consideration the directors do not recommend any change which would give all lands on one side of the road to the company, and leave the Government all on the other side. Such a course would create endless confusion. Titles are settled and locations have been made under the present arrangement; besides either the Government or the road would almost certainly suffer injury by a redistribution. As now divided, good lands and bad lands are shared about alike. The company are making great efforts to secure immigration, and to those who wish to examine or purchase, they offer great inducements in the way of cheap transportation, low prices, and liberal terms of payment.

The road is in a prosperous condition, and promises this year to show gross earnings of over $13,500,000, with operating expenses reduced to about 42 per cent. of earnings. Out of net earnings it can, in our opinion, pay its bondholders their interest, and comply with the directions of the funding bill, which sets apart 25 per cent. of its net earnings, and still leave stockholders 7¼ per cent. Quarterly dividends of 1¼ per cent. are already made.

Only brief reference can be made here to the climatic changes said to be taking place along the line. There has been a general increase in rainfall during the past few years. The line of separation between lands adapted to general farming and to grazing only is constantly moving westward. Lands are now producing fine crops of small grains, vegetables, and corn, that eight or ten years ago were included in the winter grazing regions. Grasses that formerly cured upon the stalk in August, now grow until the September or October frosts. In Eastern Nebraska the rains are heavier, *i. e.*, there are more rainy days and more frequent showers than formerly, and the rains continue later in the season. Sections of country can be named where, from greater rainfall and consequent increase in the volume of the bordering streams, lands which ten years ago were excellent farms have become almost untillable without drainage.

Exact figures showing the large increase from freight and passenger traffic and other statistics referring to the business of the road are fully given in the appendix to this report. It is enough to say that the increase from freights for the year ending September 30, 1879, has exceeded 4$\frac{85}{100}$ per cent., or, say, $388,245.26.

The policy of the company has been to foster its branches until they become self-sustaining. This is good policy, since, for example, on through traffic with points on the Utah and Northern, it gives the Union Pacific a haul over the entire line. Large shipments that formerly went via the Missouri River to Fort Benton and were distributed by wagon transportation from that point are now distributed from the terminal station of the Utah and Northern.

The company leased in March last the Colorado Central Railroad for a term of fifty years and guaranteed that 35 per cent. of the gross earnings should be applied upon the securities of the road. This leaves 65 per cent. to equip, maintain, and operate the road.

In order to give a concise view of the feeding lines directly connected with the Union Pacific Railroad, or in which it is interested, or whose building is contemplated, a brief description of them furnished to the directors by Mr. S. H. H. Clark, the general manager, is placed in the appendix.

It has been suggested that in view of the contingency of the branch or feeding lines becoming connected with other main lines of railway, and thus diverting their own business from the Union Pacific, it may be good policy for the Government to invest the sinking fund in first mortgage bonds of these branch lines, bearing 7 per cent. interest, if satisfactorily guaranteed by the Union Pacific, and thus secure to the latter the business of said lines until the debt to the Government is paid.

NATHANIEL NILES.
GEORGE B. SMYTH.
R. P. BUCKLAND.
CHARLES C. HOUSEL.
DANIEL CHADWICK.

To the Hon. CARL SCHURZ,
Secretary of the Interior, Washington, D. C.

A STATEMENT OF FEEDING LINES OF RAILROAD BUILT OR PROJECTED AND CONNECTING WITH THE UNION PACIFIC RAILROAD, FURNISHED BY MR. S. H. H. CLARK, GENERAL MANAGER OF THE UNION PACIFIC RAILROAD.

The Omaha and Republican Valley Railroad runs from Valley Station, 35 miles from Omaha, on Union Pacific Railroad, westwardly through Saunders and Butler Counties to Osceola, county seat of Polk County, 85 miles. The counties named are three of the richest and best agricultural counties in Nebraska, and since the opening of the Omaha and Republican Valley line are rapidly filling up with settlers. From Valparaiso, 38 miles from Valley, the Lincoln branch is being built through a rich valley, about 22 miles, to the State capital, and thence to Beatrice, 36 miles further. The construction of this branch will not only put the Omaha and Republican Valley line in direct connection with those centering at the State capital, but will give the main line of the Union Pacific an outlet for travel and freight in that direction and open up a market for its western coal. A branch of the Omaha and Republican Valley is also being constructed from Osceola west to Stromsburg, 6 miles.

The Omaha, Niobrara and Black Hills Railroad is being constructed from Jackson, 99 miles west of Omaha, northward through Platte and Madison Counties, and will be completed to Norfolk, 47 miles north of Jackson, this year. A branch of this line is also being extended from Lost Creek, 7 miles north of Jackson, westward to Genoa, 12 miles. The Omaha, Niobrara and Black Hills line is projected to O'Neill City, near the northern boundary of Nebraska. It will open up nearly a dozen large and fertile counties in the Elkhorn, North Loup, and Niobrara regions, and will command the trade of the great stock-raising sections north and northwest of these, in Southern Dakota—the latter a field practically unoccupied by transportation lines; while, as its name would indicate, the ultimate object of this line is the Black Hills mining region. The character of the country it traverses guarantees for it a greater local traffic than could be offered a railroad going to the Black Hills by any other route; lumber, coal, and miscellaneous supplies northward, and live stock, grain, wool, &c., southward, will be leading articles of traffic for the immediate future.

The Hastings and Grand Island Railroad extends southward from Grand Island, on the Union Pacific Railroad, to Hastings, 27 miles, there connecting with the Saint Joseph and Western Railroad (formerly the Saint Joseph and Denver City Railroad), and with the latter forming a through line from Grand Island to Saint Joseph, Mo., 227 miles. This line traverses much of the famous Blue River region, a gently rolling, well watered, and exceptionally fertile country, passing through Kearney, Adams, Clay, Thayer, and Jefferson Counties, Nebraska, and Washington, Marshall, Nemaha, and Brown Counties, Kansas. This entire region is rapidly filling up with a good class of citizens. The development, therefore, in progress along the road will soon furnish it a heavy local traffic, and, with its eastern terminus at Saint Joseph, it must gather much through west-bound business, which centers there and at adjacent Missouri River points. This line will intersect the Omaha and Republican Valley Railroad in the latter's ultimate march southward to Marysville, Kans.

The Utah Central and Utah Southern Railroads.—The Utah Central runs southward from Ogden on the Union Pacific to Salt Lake City, 36 miles, there connecting with the Utah Southern. The latter extends in a generally southward course through the most fertile and thickly populated sections of Salt Lake and Utah Lake Valleys. At Junction, 12 miles south of Salt Lake City, it is joined by the Bingham Cañon and Camp Floyd Narrow-Gauge Railroad, extending westward 20 miles to Bingham, the center of a very rich and extensive gold and silver quartz and placer mining district. About 100,000,000 pounds of ore are received at Junction annually from this small feeder. At Sandy, 13 miles south of Salt Lake City, the Wahsatch and Jordan Valley Railroad, also a narrow gauge, turns eastward, penetrating and draining the famous Little Cottonwood mining district, 20 miles distant, and proving a very valuable arm of the Utah Southern at Springville, 53 miles south of Salt Lake City. The Utah and Pleasant Valley narrow-gauge line turns southeastward and extends to the Pleasant Valley coal mines, 56 miles distant. These connections, while not under control of the Utah Southern, hand down from rich mineral districts of the mountains a very large portion of its business. The Utah Southern proper extends to Juab, 105 miles south of Salt Lake City. Here is the initial point of the "Utah Southern Extension." The latter is completed to Deseret, 52 miles south of Juab, or 157 miles south of Salt Lake City, and is to be completed to the Frisco or Horn silver-mining district, 75 miles south of Deseret, early in 1880. From Frisco it is projected to the Leeds silver mines, about 100 miles farther south, and near Utah's southern boundary. There is hardly a mile of the Utah Southern line that does not traverse a good agricultural and stock-raising country. It renders easily available at many points a vast mineral region, which extends almost continuously 150 miles along it in the Wahsatch Range on the east. Rich mines, whose ores are of such refractory nature that they must be shipped, are also clustered closely along it at several points on the west. Iron ores, shipped in large quantities to Salt Lake smelters for fluxing, are found in apparently inexhaustible quantities near Santaquin, a station 71 miles south of Salt Lake City. The Horn mines, as well as the mines of Leeds district, 100 miles southward, already give the road much business, and it is confidently believed that the former, with the various interests clustered about it and stimulated by it, will alone pay the road's operating expenses in the near future. Southeastern Nevada and Northern Arizona are also developing some good mineral districts, which will now soon make an exhibit in the business of the road. There is an unusually interesting field for tourists along this line which must soon command extensive travel. The grandeur of American Fork Cañon, the beauty of Utah Lake and its environs, and the stupendous wonders of the Great Gorge of the Colorado, all easily reached via this line, have a fame that will become world-wide. It should also be mentioned here that the valleys of Southern Utah are the only ones in our great inter-mountain country which will readily produce such semi-tropical fruits as figs and almonds, and cotton has already been exported from them to some extent.

The Utah and Northern Railway (*narrow gauge*) stretches northward from Ogden, through Northern Utah, entirely across Eastern Idaho, and is at this date operated to

Beaver Cañon, near the Southern Montana boundary, 274 miles north of Ogden. Grading is about completed to Red Rock, Mont., 30 miles north of Beaver Cañon. Unless unusually rigorous weather prevents, track will be laid on these 30 miles this season, making a complete north and south narrow-gauge line 304 miles in length. Surveys have been made for divisions or branches debouching from the constructed line at Beaver Cañon to Yellowstone National Park, 63 miles; from Henry Lake to Helena, Mont., via Madison Valley, about 240 miles; from the present temporary terminus to Helena, via Beaverhead and Jefferson Valleys, about 215 miles; from Portneuf Station, Idaho, west and northwest via Boise City to the Columbia River in Eastern Oregon, and various preliminary observations of routes in Utah, Idaho, Montana, and Oregon, discarded or yet to be adopted. It is not extravagant to say that the Utah and Northern Railway has now, and evidently will have for years to come, by far the most extensive and naturally rich tributary region of any line of similar length in the entire Trans-Missouri country. Those portions of Idaho, Utah, Montana, and Western Wyoming whose traffic it already fairly controls form an empire of 200,000 square miles, a region which even in the infancy of development is found to contain some of the largest and richest mineral belts and incomparably the most extensive and fertile valley and desirable pasture lands in the entire Rocky Mountain country. Yellowstone National Park, which all visitors pronounce the most prolific in amazing natural wonders and beautiful scenes of any spot of like area in the known world, will, it is generally believed, from next season on, command very extensive tourist travel via the Utah and Northern, as it is now only 63 miles distant by easy natural grades from Beaver Cañon Station, or about 75 miles from Red Rock Station. The most fertile and thickly settled valleys of Northern Utah lie in the path of this line. The Salmon River and Yankee Fork gold and silver mining region, which is now shipping some very rich ores, and is coming into prominence as a probable rival of Leadville in 1880, lies 150 miles west of the Utah and Northern Railway in Central Idaho, and has no other present or prospective outlet than the line under consideration. The vast salt deposits, which supply such a large demand in Montana, Idaho, and other Territories, are 85 miles east of the line in Eastern Idaho, and also shipped by it extensively. The Caribou gold and silver mines lie 100 miles east of Eagle Rock Station, and the Great Snake River gulch or Placer Mines, which extend 400 miles along the stream named, are crossed at Eagle Rock. Montana, containing 16,000,000 acres of productive farm lands, 38,000,000 acres of grazing lands, an area underlaid with coal larger than the great State of Pennsylvania, and 14,000,000 acres of heavy pine forests, and whose mines have already yielded $16,000,000, is in its earliest stages of development, yielding the road a handsome revenue. Ores, bullion, hides, wool, beef, and salt will probably always be the principal articles of south-bound traffic, and mining, milling, and other machinery and miscellaneous supplies those north-bound. The shipments of ore must be especially large after this season, because of the nearness of the road to leading mines. The heavy immigration into Montana and the other vast unsettled regions adjacent must for many years make a handsome showing in the passenger business, as well as the tourist attractions of Yellowstone Park and other resorts, now almost unknown. One hundred miles of track were laid in 1878, and, with the 30 now in progress, 123 more will be laid this year.

There are no other projected lines of railway from main line of the Union Pacific Railroad at present.

The benefits and advantages, in a military point of view, derived by the Government from these constructed and prospected lines of railway are very great.

Earnings of the Union Pacific Railroad Company for the year ending September 30, 1879.*

From:	
Passengers	$2,999,151 19
Government	147,028 16
Mails	596,775 00
Express	465,358 29
Freight	7,191,028 76
Freight, Government	312,619 91
Freight, company	884,206 47
Car service	8,283 10
Miscellaneous	301,891 30
Rents	39,437 53
Total	12,945,779 71

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*Earnings for October, 1879, estimated at $1,533,580, and November, 1879, estimated at $1,241,989.64, an increase of $421,355 over October and November, 1878.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILWAY COMPANY.

WASHINGTON, *December* 16, 1880.

SIR: The Union Pacific Railroad Company entered into articles of union and consolidation of the Union Pacific Railroad Company, the Kansas Pacific Railway Company, and the Denver Pacific Railway and Telegraph Company, January 24, 1880.

Since which time a deed of conveyance, as of the same date, has been made by each of the respective companies to the consolidated company, viz, Union Pacific Railway Company, which has been spread upon its records, and ordered to be sent for registration in the different counties of the States and Territories in which the real estate of the company is situated.

This deed conveys the entire "lines of railway and telegraph, with all their appurtenances, including right of way, station-houses, rolling stock, and all other property of every kind connected therewith; also all the lands severally owned by the respective companies, and all that said companies may be entitled to by acts of Congress, or in any other way, intending to convey all lands wherever situated, and all rights of land of whatever kind or nature, legal or equitable; also all property rights, choses in action, and every other matter or thing described in article No. 8 of the articles of union and consolidation; also all other rights, privileges, and franchises, property of every kind, nature, and description."

A copy of the articles of union and consolidation has been filed in your Department by the Union Pacific Railway Company, but the Government directors, that you may have consecutive information, herewith attach a copy of same to their report.

After the consolidation the question arose as to the jurisdiction of the Government directors over the consolidated property, and at a meeting of the board of directors of the Union Pacific Railway Company, held in New York January 26, 1880, the following record was made:

"President Dillon stated that a question had been made as to the legal effect of the consolidation upon the status of the Government directors in the new company. He was not prepared to decide this question; the law fixed it one way or the other, and this could not be changed by any action of the company, and he recommended that the question be postponed until the annual meeting, and that meantime our counsel be instructed to give his opinion on the subject. The recommendation of the president was unanimously adopted."

Upon the raising of this question you were communicated with by Government Director Niles, who asked you if you were not entirely clear in your own opinion as to the extended jurisdiction of the Government directors over the consolidated company to refer the matters to the Attorney-General for his opinion, and upon such reference the Government directors understood the opinion of the Attorney-General to be favorable as to their extended jurisdiction over the consolidated company.

No official notice was given by the Union Pacific Railway Company to the Government directors to attend the meeting of its board, held in New York, March 9, 1880; but as that was about the usual time for holding the annual meeting of the board of directors of the Union Pacific Railroad Company, the Government directors met by their own appointment on the 8th of March, in the city of New York, and ascertained by telegraphic communication with the railway company's office in Boston no meeting of the board was to be held there, but that a meeting of the Union Pacific Railway Company's board was to be held in New York on the 9th, which meeting the Government directors attended, and the following record was made:

"President Dillon remarked that he had conferred with the company's counsel in regard to the status of the Government directors, and that it had been decided to admit them to the direction of the company under protest, a protest not of hostility, but merely of protection formally expressed, in order that the action of the company might be right in the premises."

Since which time, the Government directors have been duly notified to attend the meetings of the board of directors, and no farther question of jurisdiction has been raised, until, in an interview with President Dillon the latter part of July, preparatory to the inspection of the road, transportation was asked for over the consolidated roads, when the jurisdiction of the Government directors was again denied and official transportation respectfully refused over any part of the consolidated roads, except the former Union Pacific Railroad, from Omaha to Ogden, thus making an issue with the Government that calls for judicial settlement.

This report will therefore be confined principally to the line of railroad from Omaha to Ogden, that being the only part of the line of road the Government directors have inspected this year. References will be made to the executive and operative management of the consolidated roads, so far as the Government directors have had opportunity of examining same; also to the stock basis upon which the consolidation was made, and all other items of interest that have come under their observation.

The consolidated company is operated in two divisions. The Union Division, comprising the road from Omaha to Ogden, formerly known as the Union Pacific Railroad; and the road from Kansas City to Denver, formerly known as the Kansas Pacific, with the Leavenworth branch, and the road from Cheyenne to Denver, formerly known as the Denver Pacific, the two roads comprising the Kansas Division.

The executive and general operative management of the company comprehends both the Union and Kansas divisions, and is extended over some of the branch lines of railway owned by and in the interest of the consolidated company; the expense of which is distributed on a mileage basis, or on the basis of the earnings of the divisions or branches. This is an equitable distribution. In all other respects the roads are managed as independent lines of railway, each division paying all its obligations incurred in its purchase and use of materials, and in its operation; and the earnings of each division are kept separate.

The branch lines of railroad, aside from the mileage, estimated to them, in their favor to foster them, of 1¼ miles to 1 mile of the main line of the road, in making up their prorate, of a rate charged, for business given to or received from the main line, are operated and managed as distinct lines of railroad.

This branch system of railways now comprises the—

	Miles.
Omaha and Republican Valley Railroad, length	145
Omaha, Niobrara and Black Hills Railroad, length	48
Saint Joseph and Western Railroad, length	252
Maryville and Blue Valley Railroad, length	38
Colorado Central Railroad, length	184
Summit County Railroad, length	29
Wyandotte and Enterprise spurs, length	4
Fort Russell and Almy spurs, length	11
Utah and Northern Railway, length	304
Carbondale Branch, length	32
Junction City and Fort Kearney Railroad, length	70
Solomon Branch Kearney Railroad, length	57
Salina and Southwestern Railroad, length	36
Denver and Boulder Valley Railroad, length	27
Golden, Boulder and Caribou Railroad, length	6
Making	1,243

Which, with the—

Union Division	1,042
Kansas Division, main line	639
Kansas Division, Leavenworth branch	34
Kansas Division, Cheyenne branch	106
Make together	3,084

miles railroad, with the Wyoming, Montana, and Pacific Railway, and the Julesburg line (building), the Utah Central, Utah Southern, and Utah Southern extension—the latter now in operation in Frisco, Utah Territory, 250 miles south of Salt Lake—and their connections, making about 400 miles of additional railroad that is largely owned in the interest of the Union Pacific Railway, and whose traffic largely contributes to increase its earnings.

The Julesburg line is being constructed from Julesburg to strike the Denver Pacific at a point about 2 miles south of Evans Station, and is being built under the Colorado Central Railroad charter. Fifty-three miles of track have been laid, and owing to the extreme cold weather the work has been suspended for the winter.

Branch lines connecting with the Union Division have been built during the year as follows:

	Miles.
Valparaiso to Lincoln	20
Lost Creek to Albion	33
Grand Island to Saint Paul	24
Echo to Park City	29
Extension of Utah and Northern Beaver Cañon to Dillon	76

The Burlington and Missouri River Railroad, in Nebraska, have extended their line of road to and across the Union Division at Columbus and Central City.

The Elkhorn Valley Railroad, being built in the interest of the Chicago and Northwestern, is now open, and trains are running to Fremont, a station on the Union Division, 47 miles west of Omaha.

The Government directors, with one exception, have gone over the line of the Union Division, and are pleased to note a continued improvement of the line of road. One hundred and seventy-two miles of steel rails have been laid this year up to October 31, and it is expected that 60 miles in addition will be laid up to January 1, 1881. Four hundred and eighty-five miles of steel rail were laid previous to that time, in main track, which will make 717 miles of steel track, leaving but 325 miles of steel rail to be laid hereafter to make this division steel rail entire.

Total number of ties put in track from January 1, 1880, to November 1, is 412,350. Of this number 24,580 were cedar, 267,871 were pine, and 119,899 were hard-wood ties, and cost, respectively, delivered on the line of the road, 54, 42, and 75 cents each.

Fourteen spans of iron bridges, from 100 to 150 feet in length, aggregating 1,510 feet, have been built and are in process of erection across Weber River, at or near Croydon, and across Papillion Creek.

No new wooden bridges have been constructed, but all necessary repairs have been made. The road-bed has been raised and widened in many places, and one of the most marked improvements that has yet been made in the property is the change of grade near Elkhorn Station. This grade was something over 80 feet per mile, and by a heavy cut and fill of a mile and a quarter is being cut down to a grade of 21 feet per mile, the work now over two-thirds completed. Over the old grade a freight engine could not haul over 16 to 18 loaded cars, while over the changed grade the same engine can haul 40 loaded cars, with much less wear and tear in the performance of the service, thus demonstrating the desirability of making light grades when they are practicable.

At Laramie Rolling Mills a train of rolls has been added for the manufacture of merchants' bar iron, and machines for making nuts, bolts, spikes, and fish-bars for track work, and almost any other class of iron that may be wanted in the construction of cars, &c.

The water stations have been greatly improved. Nine new frost-proof iron-column water-tanks have been erected at the following stations: Millard, Central City, Wood River, Plumb Creek, Denver Junction, Sidney, Antelope, and Rawlins; and as old tanks may be renewed, or new tanks erected at new stations, similar tanks will be constructed.

The same permanent character of improvement can be noted in the erection of windmills, for pumping water, at Millard, Columbus, Central City, Wood River, Plumb Creek, Ogalalla, Denver Junction, Sidney, Antelope, Rawlins, and elsewhere. Cast-iron pits (or sockets) are used as the base, to which, above ground, the timbers are framed, saving the rotting of wood under ground. New wells have been put down, all 12 feet in diameter, at Millard to the depth of 40 feet; Central City, 17 feet; Wood River, 22 feet; Plumb Creek, Denver Junction, Sidney, Echo, and other stations. Other additional improvements have been made to water stations. At Council Bluffs three drive wells have been put down, each 95 feet deep; at North Bend, two drive wells; at Sidney, system of water-works put in, with hydrants, for fire protection pump and boiler house erected 22 by 30 feet, and steam pump and boiler put in.

At Cooper Lake and Rawlins permanent improvements have been made, and at Echo a new frost-proof tank is in course of construction. Frame pump house 24 by 32 feet, with steam pump and boiler, four hydrants, several thousand feet of iron pipe and suction pipe is used at the different stations for the forcing of water through long distances for the protection of the company's property in case of fire.

Improvements and additions to shops have been made at the following stations: Omaha, brass foundry enlarged with brick building 14 by 46 feet, and four new brass furnaces put in; addition to iron foundry, frame building (detached) 24 by 173 feet. Grand Island, new shops in course of construction; stone building, main building 100 by 150 feet; engine and boiler room, 50 by 50 feet. North Platte office building, frame, 14 by 20; Echo, frame engine-house, 60 by 75, four stalls; Evanston, frame addition to boiler-shop, 36 by 40; Uintah, frame engine-house, 20 by 60.

Additional machinery has been purchased during the year for shops at Omaha, Grand Island, North Platte, Laramie, Rawlins, and Evanston, consisting of punching-machines, drill-presses, bolt-cutters, wheel-presses, lathes, &c.

The motive power of the Union Division has been largely added to by purchase of new engines and the rebuilding and overhauling of old ones. Nineteen ten-wheel freight engines, 4 mogul switching engines (each 3 pair drivers), 1 single truck, 5 ten-wheel freight engines, purchased but not delivered (were to have been delivered in November); 13 engines have been rebuilt, new and large boilers put in, and new 17-inch cylinders put in in place of 16-inch; 11 engines have had new and larger boilers put in; 9 engines have had new 17-inch cylinders put in in place of 16-inch; 40 engines have had general repairs of boilers and machinery, making, in all, 73 engines that have been rebuilt, partially enlarged and renewed, and thoroughly overhauled, thus keeping the motive power of this division up to a high standard. Plans for a new wheel foundry have been made with capacity to make 160 car-wheels a day, and its erection is now being considered.

Coal sheds and shutes have been built at Denver Junction; shed, 256 by 35 feet, with inclined track to storage bins; 16 bins, capacity 20 tons each; 32 shutes, capacity 4 tons each. At Echo, coal sheds and shutes of similar capacity. At Plumb Creek, additional shutes have been added to old coal sheds, and a hoisting engine put in to elevate coal from store shed to top of shutes. These improvements with the coal sheds and shutes at other stations on the line of the Union Division make large storage capacity for coal, and numerous convenient shutes for supplying the locomotives with coal. The car department has been well maintained, and, besides maintaining the cars of the company, has built several new passenger coaches for the main line of this division, and upwards of 175 box, flat, coal, and dump cars, with baggage cars, mail cars, and passenger coaches for branch lines of road.

In the fitting of the passenger cars brass catches are bought by the company and plated. The company does its own nickle and silver plating, upholstering, &c., and as good or a better car of any kind can now be turned out at the shops of the company than can be purchased from a car manufacturer.

Emigrant sleeping cars, for the comfort of emigrant travel, have been introduced on the road; 9 cars have been changed into sleepers, with two tiers of double berths on each side of the car, twelve in number, and each car will accommodate 48 persons comfortably. Preference is now given to women and children in their use, and it is the purpose of the company to change their emigrant equipment of 53 cars into sleepers; emigrants furnish their own bedding, and no extra charge is made for use of car.

Cattle yards have been built, during the year, at Alda, Benton, Brady Island, Rock Creek, and Medicine Bow stations. The transportation of cattle this year over the line of road has been less than last on account of the bad condition of feed on the cattle ranges and the lateness of the season at which cattle were fat enough for shipment to market. Also, owing to the early cold weather preventing shipments, several car loads of cattle this year have been shipped from distant stations on the Utah and Northern Road, from which road a large increase in shipments of cattle may be expected, which promises to increase largely the average length of haul of cattle over the line of road. The prospects for next year's business, from cattle shipments, is said to be better than any past year.

The production of coal shows an increase this year, for the first six months, of upwards of 60,000 tons, and, owing to the early and continued cold weather, promises a larger increase for the last six months of the year, and in consequence of the increased cost of labor will show an increased cost of production.

Production and cost of coal, year ending June 30, 1879, 315,832 tons, cost $1.02¼; year ending June 30, 1880, 393,428 tons, cost $1.11. Three new coal mines have been opened during the year, none of which are developed far enough yet to give any great increased production. The deposits of coal along and near the line of road are large, and increased business, from coal transportation, can only be measured by the growth of the country. Experiments in coking have been abandoned for the present, as no coal has yet been found on the line of the road that will coke.

Prof. Samuel Aughey has made a very interesting preliminary report on the Wyoming Oil Springs, situate 78 miles north from Point of Rocks Station. Crude petroleum can be obtained there in large quantities that has fine lubricating properties, and from which very superior oil is refined. In time this oil region will afford a large traffic to the road.

The express business of the road is now done by the Pacific Express Company, a company organized by this railway company in connection with a connecting railway company, the stock of the express company being owned by the railway companies in proportion to the amount of express business that each company may do, this company owning the controlling interest in same.

The land department is offering liberal inducements to emigrants desiring to examine the lands of the company with a view of purchase and settlement. By a general system of advertising at home and abroad, and greatly reduced rates of transportation, the expenses of this department have been increased.

Number of acres sold during the year 1880, 162,018.41, at an average price per acre of $4.82. This body of land has been sold in small tracts, as the average number of acres to each purchaser is only 92. This promises proper cultivation.

Collections this year will exceed any previous year by $150,000 to $200,000. Amount transmitted to the treasurer during the year 1880, $478,500. Department expenses for the year, $50,108.60. Sales canceled, 32,478.11 acres.

Terms of consolidation of the Union Pacific, Kansas Pacific with Leavenworth Branch, and the Denver Pacific, as to the respective stock interest of the respective companies, in the consolidated company:

Union Pacific Railroad, stock	$36,762,300
Kansas Pacific Railway Company, stock	10,000,000
Denver Pacific Railway and Telegraph Company, stock	4,000,000
Making the stock of the consolidated company	50,762,300

The Union Pacific Railroad Company created a collateral trust bond, dating from July 1, 1879, to run twenty-nine years from that date, drawing 6 per cent. per annum interest, interest payable semi-annually, making the Union Trust Company of the city of New York trustee. The first-mortgage bonds of the Colorado Central Railroad Company, Omaha and Republican Valley Railroad Company, and the Utah and Northern Railway Company, all of which draw 7 per cent. per annum interest, and are issued respectively for fifteen, ten, and twelve thousand dollars per mile, owned by the Union Pacific Railroad Company, are deposited in this trust. And as said bonds are deposited the Union Trust Company certify and deliver to the railroad company collateral trust bonds for 80 per cent. of the par value of bonds so deposited, the interest upon which is sufficient to pay the interest on the collateral trust bonds, and provide a sinking fund for the gradual redemption of the bonds in trust.

Five million dollars of collateral trust bonds have been delivered to the railroad company in conformity with the terms of the trust, nearly all of which have been sold; last sales made at $1.05, and their proceeds have been substantially used to aid in the construction of branch roads, thus enabling the railroad company to retain the securities of its branch roads, and by their deposit, in this or similar trusts, multiply the construction of branch roads as the mining interests or further settlement of the country may require. A copy of this trust indenture the Government directors attach to this report.

The Union Pacific Railway Company hold large assets, in the securities of the roads it has aided in construction, consisting of first-mortgage bonds and stock, which, as the country that is traversed by these branch lines is developed by the opening of mines or settlement, are constantly increasing in value. The par value of such securities now amounts to fully $40,000,000. A present estimated value of said securities was made by the auditor of the company July 19, 1880, as being worth $28,575,651.65, $6,334,000 of which have been put into the collateral trust-bond trust.

Estimated gross earnings of the Union Pacific Railway, for the current year, nearly eleven months of which have transpired, and branch lines of railroad	$25,000,000
Of which the branch lines will earn about	2,500,000
Leaving	22,500,000

The Union Division will probably earn of this amount $15,750,000; the Kansas Division $6,750,000. This would show that the Union Division earns 70 per cent. of the gross earnings, and the Kansas Division 30 per cent., showing an increase of gross earnings this year, compared with last, on the Union Division of $2,549,000, and a larger proportionate increase of gross earnings on the Kansas Division. This can be accounted for by the consolidation. The business of the whole Southwest, as well as that from lake points, Central Indiana, Illinois, Ohio, and a fair proportion of through business, for which the separate roads competed before the consolidation, has gone into its natural channel of transportation, while formerly all of this business that the Union Pacific Railroad could control, as well as the roads terminating at Council Bluffs and Omaha, went to those respective points for distribution.

The operating expenses for the current year on the Union Division will be about 44 per cent. of its gross earnings, including renewals and taxes. On the Kansas Division about 50 per cent., including renewals and taxes.

The expenses of the general offices in New York and Boston are apportioned to consolidated roads on a mileage basis.

The Pullman sleeping-car contract will expire next year, and, unless a new contract can be made on a liberal basis, in which the railway company will be largely interested in the revenue received for the use of the cars, before the expiration of the contract, the railway company will consider and determine the question of running its own sleeping cars.

The directors are informed that substantially the same pooling arrangements exist this year as last. At competitive points, with competitive roads, the business is pooled, the road performing the service deducting 40 per cent. for operating expenses, and the balance is divided on an agreed percentage basis.

A contract for five years with the Atlantic and Pacific Steamship Company has been prepared, in which the Central Pacific Railroad Company is a party, and authority has been given for its execution, the terms of which govern in settlements between the steamship company and the railway companies; but the same has not yet been executed.

The same policy of the improvement of the property is manifest for the coming year as has been shown for the past two years. Contracts have already been made for 35,000 tons 60-pound steel rails, 5,000 tons 40-pound rails for the Utah and Northern, 12 first-class passenger coaches, 5 first-class narrow gauge coaches, 500 box cars, 300 cattle cars, 18 10-wheeler Taunton engines, 15 consolidated 50-ton engines (17 more engines are being negotiated for, making 50 engines of this class), and 25 narrow-gauge engines have been contracted for the Utah and Northern, deliveries of which are to be made at stated periods during the year 1881, and orders have been given for 2 Pullman narrow-gauge sleepers, and at the shops of the company to build for the Utah and Northern Road 2 mail and express cars, 50 box, and 25 cattle cars.

It is now expected that the Atchison, Topeka, and Santa Fé Railroad will be completed to a connection with the Southern Pacific Railroad of California, in New Mexico, by the 1st day of January. This will make a competing line of railway through to California, about 400 miles longer than via the Union Pacific and Central Pacific Railways to San Francisco. In passenger travel, eighteen hours additional time will be required to make the trip to San Francisco, and thirty-three hours additional time for freight transportation. Hence, as quick transit, particularly on long routes of travel, is very desirable and generally sought for, the Union and Central Pacific Railway route will doubtless remain the favorite route for passenger travel and freight traffic. The Government directors are informed that a satisfactory business arrangement will be made with this competing line of railway, and thus avoid undue competition for business.

The policy of building and aiding to build branch lines of railroad by this company, that has been pursued in past years and is still being continued, was wise, both in its conception and in its execution, as the trunk line of railway has branch and feeding lines of railway to support it, independent of its through business, which now amounts to but a small proportion of its traffic, viz, 28 per cent.

The tabular statement attached will show the number of through cars of freight hauled on the Union Pacific Railway between Omaha and Ogden, for through California business, in the months of August, September, October, and November, 1879 and 1880. Average daily for 1879, twenty-eight cars per day each way; for 1880, thirty-three cars per day each way. And any loss of through business in the year 1881 there may be, in consequence of division with the Atchison, Topeka and Sante Fé Railroad, will, in the opinion of the Government directors, be more than made up in the increased business that will be derived from its branch lines of road and its local business.

Consolidation is now becoming a great feature in the railway management of this country. It tends towards economy, and greatly facilitates travel and freight traffic. The internal commerce of the country is demanding quick transit, and equalized and uniform rates of transportation. Consolidation will give the former, as through trains of freight can be made up over consolidated roads for given points, and the delay and loss of time can thus be avoided that occurs, where trains are made up containing cars for different localities, in switching.

The present combination and pooling system of railway management prevents undue competition, and it is claimed, as pools are made up on the basis of earnings, through, to, or from a given competing point or points, or supposed earnings of the competing lines, shippers of property are not imposed upon, but uniform and equalized rates of transportation are fixed and maintained.

With the large productions of the country for the past two years, the ready and satisfactory market for their sale, both at home and abroad, with the ability of the rolling stock of the railways of the country, at times taxed to its utmost capacity, to move the products of the country to market and to the sea-board ports for export, this theory is becoming an accepted one. The time for its test will come when the productions of foreign consuming countries are large, and our own products, by similar productions and limited export demand, begin to accumulate in the granaries of our agriculturists and elevators and warehouses at our marts of commerce, and consequent low prices for same prevail; for then lower rates of transportation will be demanded than now prevail.

Consolidation with the Central and Southern Pacific Railways has been informally considered, relative to which no satisfactory conclusion has yet been reached; upon an equitable basis, both for the interest of the Government and the respective railways, it would be desirable.

GEO. B. SMITH,
R. P. BUCKLAND,
C. C. HOUSEL,
JUDSON KILPATRICK,
Government Directors.

Hon. CARL SCHURZ,
Secretary of the Interior.

Statement showing the number of cars hauled on Union Pacific Railway between Omaha and Ogden for through California business.

1879.

	August.	September.	October.	November.	Total.
East bound	650	633	987	856	3,126
Daily average	21	21	32	28	25
West bound	901	831	919	953	3,604
Daily average	29	28	29	32	30
Total east and west bound	1,551	1,464	1,906	1,809	6,730
Total daily average (say 28 cars per day each way)	50	49	61	60	55

1880.

	August.	September.	October.	November.	Total.
East bound	488	804	988	1,162	3,442
Daily average	16	27	32	39	30
West bound	1,019	1,022	1,289	1,261	4,591
Daily average	33	34	42	42	37
Total east and west bound	1,507	1,826	2,277	2,423	8,033
Total daily average (say 33 cars per day each way)	49	61	74	81	67

THE UNION PACIFIC RAILROAD COMPANY TO THE UNION TRUST COMPANY OF NEW YORK, TRUSTEE.

Collateral trust indenture, July 1, 1879.

Indenture made and executed by and between the Union Pacific Railroad Company and the Union Trust Company of New York, this first day of July, 1879.

1. The Union Pacific Railroad Company holds fourteen hundred of the bonds of the Colorado Central Railroad Company, each for the sum of $1,000, dated July 1, 1879, payable in thirty years from said date, and bearing interest at the rate of 7 per cent. per annum, secured by mortgage of the same date of the road and franchises of said company, the aggregate amount of all the bonds secured by said mortgage being $2,526,000, or at the rate of $15,000 per mile for each mile of said road; and said Union Pacific Railroad Company may hereafter become possessed of the whole or a part of the remainder of said bonds.

It holds, also, eight hundred and forty of the bonds of the Omaha and Republican Valley Railroad Company, each for the sum of $1,000, dated July 1, 1879, payable in thirty years from said date, bearing interest at the rate of 7 per cent. per annum, secured by a mortgage of the same date of the road and franchises of said company, the aggregate amount of all the bonds issued and to be issued under said mortgage being at the rate of $10,000 per mile for each mile of said road; and said Union Pacific Railroad Company may hereafter become possessed of the whole or part of the remainder of said bonds thus issued or to be issued under said mortgage.

Said Union Pacific Railroad Company also holds fifteen hundred and ninety-four of the bonds of the Utah and Northern Railway Company, each for the sum of $1,000, dated July 1, 1878, payable in thirty years from said date, bearing interest at the rate of 7 per cent. per annum, secured by mortgage of the same date of the road and franchises of said company; and it may hereafter become possessed of other of said bonds issued or to be issued as the construction of said road progresses. By an act of Congress, the issue of said mortgage bonds is limited to $15,000 per mile of said road; but the issue heretofore made, and to be hereafter made, is, and is to be, limited to the rate of $12,000 per mile.

2. Said Union Pacific Railroad Company proposes to issue from time to time its bonds, dated July 1, 1879, each for the sum of $1,000, payable in twenty-nine years from said date (unless paid sooner by the sinking fund in the manner herein set forth), bearing interest, payable semi-annually, at the rate of 6 per cent. per annum, both principal and interest payable in gold coin of the United States, and to secure the payment of the same by a deposit with said trust company, upon the trusts and in the manner hereinafter stated, of the bonds of said Colorado Central Railroad Company, said Omaha and Republican Valley Railroad Company, and said Utah and Northern Railway Company, secured by said respective mortgages, and now held or that may hereafter be acquired and held by said Union Pacific Railroad Company, 80 per cent. of the par value of the bonds, thus deposited to be equal in amount to the par value of the 6 per cent. bonds thus to be issued by said Union Pacific Railroad Company.

3. The times and manner in which said deposit in trust shall be made, held, and executed, to be as follows: Upon the deposit, from time to time, of any part of said bonds, said trust company is to certify the said 6 per cent. bonds of the Union Pacific Railroad Company to an amount equal to 80 per cent. of the par value of the bonds thus deposited, and deliver the same to said corporation, which certificate shall declare that the bonds thus certified and the holders thereof are entitled to all the benefits of said trust, and comprehended in all its provisions, and that no bonds not thus certified shall be so embraced or in any manner participate in the trust or security hereby created. All said bonds, thus deposited in trust, from time to time, shall, irrespective of the date of such deposit, stand and be held as a common security, as well for said 6 per cent. bonds then and theretofore issued and certified as for those that may thereafter be issued and certified in conformity to the provisions of this instrument. This provision shall not be construed as conflicting with provisions hereinafter stated as to the disposition of said bonds.

4. The interest of the said bonds of the said Union Pacific Railroad Company is to be made payable semi-annually to the holders thereof at the office of said company in the city of Boston, or its agency in the city of New York.

5. Said Union Pacific Railroad Company shall provide for the payment of interest on its said 6 per cent. bonds by a deposit with the said trust company, from time to time, on or before the successive maturities of its coupons, of a sum equal to the amount of the coupons on the bonds of said Colorado Central and said Omaha and Republican Valley Railroad Companies, and said Utah and Northern Railway Company, thus deposited, maturing at the same dates, which amount shall be applied by said trust company, as agent of said Union Pacific Railroad Company, so far as the same is necessary, to the payment of the coupons of said 6 per cent. bonds; and the difference between the coupon interest of said 6 per cent. bonds and the coupon interest upon all the bonds thus held in trust shall be held by said trust company in trust for the purposes and in the manner hereinafter set forth; and said trust company shall collect the coupon interest upon all said bonds thus held in trust, and pay over the same, as received, to the said Union Pacific Railroad Company, and deliver to said last-named company the coupons upon its said 6 per cent. bonds thus paid by it.

6. Said difference is to be retained in deposit with said trust company upon the terms of its other deposits, until the same shall amount to the sum of not less than $10,000, and as it shall reach that sum or more, from time to time, be invested by said trust company, with the accumulated interest, in said 6 per cent. bonds of the Union Pacific Railroad Company, at a price not exceeding par value with 5 per cent. premium and accrued interest, and all bonds so redeemed are to be canceled and delivered to the said Union Pacific Railroad Company, and said trust company is also to surrender to the said Union Pacific Railroad Company, from out the bonds thus held in trust as security, bonds which at their par value shall exceed, as near as may be by 25 per cent., the par value of the 6 per cent. bonds thus paid and canceled, the same to be taken, as far as possible, in equal proportion from each class of said bonds.

7. Said trust company is to give public notice in one or more newspapers published in Boston and New York of its readiness to purchase said bonds, and in case the same cannot be purchased in response to such advertisement at not exceeding 5 per cent. premium and accrued interest, then the said trust company is, in a fair and just manner, in the presence of a notary public, to designate by lot the bonds to the purchase of which, at 5 per cent. premium and interest, said fund is to be applied, and to give notice of such designation by publication of the numbers of each of said

bonds in some newspaper published in the cities of Boston and New York, once a week for three weeks successively, and fixing the date and place where such bonds will be thus paid at 5 per cent. premium and interest up to the date of such designated period, and from and after that period interest upon such bonds shall no longer be payable by said company. The cost of advertising, stamps, and all other expenses (except the services of said trust company) necessary to carry this agreement into effect to be paid by the said Union Pacific Railroad Company.

8. Any holder of said 6 per cent. bonds, excepting those designated by lot and notice given as aforesaid, amounting at par to not less than $5,000, secured by this agreement, shall be at liberty on thirty days' notice in writing to said company, and also to said trust company, to surrender the same to said trust company, and receive in exchange therefor, from out the bonds at the time of such notice held in trust and as security, bonds at par equal in number to the number of bonds thus surrendered, such bonds to be taken, as near as may be, from each class of said bonds in the proportion that each class bears to the aggregate of all the classes of bonds then held, and in case of such surrender said trust company shall cancel the 6 per cent. bonds thus surrendered and deliver the same to said Union Pacific Railroad Company, and shall also restore to said company for its own use the surplus of bonds held by it in trust as security for the payment of said 6 per cent. bonds thus surrendered and exchanged, such surplus to be taken, as near as may be, from each class of said bonds in the manner and proportion above stated.

9. No responsibility shall attach to said trust company in regard to the final redemption of either of said classes of said bonds, or the interest thereof, other than as funds are provided therefor.

The trustee shall be entitled to compensation as follows, viz:

For countersigning bonds, $1 per $1,000.

Receiving and holding in trust, 15 cents per $1,000, and one-sixteenth of one per cent. on par value of coupons cut off and collected half-yearly.

Administering sinking fund one-eighth of 1 per cent. upon amount of sinking fund passing through hands of trustee.

Interest upon funds paid in to be allowed at the trust company's usual rate on deposits at interest, but interest to cease at maturity of coupons on amount required to pay all coupons of that date, which amount shall be transferred to credit of coupon account, and such cessation of interest shall be in lieu of compensation for payment of coupons. For all services not enumerated above the trustee shall be entitled to reasonable compensation.

10. In case said Union Pacific Railroad Company shall fail to make said deposit with said trust company of a sum equal to the amount of the coupons of the said Colorado Central and said Omaha and Republican Valley Railroad Companies and said Utah and Northern Railway Company, at the times and in the manner hereinbefore set forth, then, upon the request of the holders of said 6 per cent. bonds to an amount equal to 25 per cent. of the bonds then outstanding, the said trust company shall sell at public auction such portion of the bonds of said Colorado Central and said Omaha and Republican Valley Railroad Companies and said Utah and Northern Railway Company, or other securities which it may so have in its possession for said trust, as may be necessary to pay the amount of principal and interest of all the said 6 per cent. bonds of the said Union Pacific Railroad Company remaining unpaid, whether due or otherwise; and if the proceeds of said sale shall be insufficient for that purpose, shall distribute the same pro rata, and, after payment of all said bonds and interest from the proceeds of said sale, shall surrender the surplus, if any, with the remainder of the bonds and securities, to the said Union Pacific Railroad Company; and in case the said Union Pacific Railroad Company shall fail to pay the principal of its said bonds at maturity, said trust company is in like manner to sell and dispose of said bonds and securities thus held in trust, apply the proceeds to the payment of said bonds and interest of the said Union Pacific Railroad company, and surrender the surplus and the remainder of the bonds and securities, if any, to the said Union Pacific Railroad Company.

11. In case of default of said Colorado Central Railroad Company, said Omaha and Republican Valley Railroad Company, or said Utah and Northern Railway Company, or either of them, in the payment of either the principal or interest of their said bonds, or any part thereof, then said trust company may thereupon, if the said Union Pacific Railroad Company, by vote of its directors, shall request it so to do, instead of enforcing said bonds by foreclosure or otherwise, deliver the whole of the same upon which such default has occurred to said Union Pacific Railroad Company, upon receiving from it other equivalent securities to the satisfaction of said trust company, for the payment of its bonds and interest, which securities are to be held and administered by said trust company in the same manner and upon the same trust as those upon which it held the bonds so delivered; but in case no such request shall be made, or if for any reason the said trust company shall elect not to deliver said bonds thus in default to said Union Pacific Railroad Company, and take security therefor as

above provided, then the said trust company is to proceed to foreclose the mortgage, the payment of the bonds secured by which is thus in default, and apply and distribute the proceeds of the foreclosure sale, after deducting all charges and expenditures attending such foreclosure sale, and their own reasonable compensation connected therewith, in the manner following, that is to say:

If said net proceeds shall be in amount sufficient to pay all of said 6 per cent. bonds then outstanding, with the interest due thereon, and a premium of 5 per cent. or less upon the principal of said bonds, then said trust company shall advertise in one or more newspapers published in the cities of Boston and New York twice a week for six weeks successively, fixing a period, not exceeding ten days from the last publication of such notice, on or before which it will take up and cancel said 6 per cent. bonds, paying therefor the principal and interest and such premium upon said bonds, not exceeding 5 per cent., as the net proceeds of said foreclosure sale will permit; and if, at the expiration of the period thus fixed, all the holders of said 6 per cent. bonds shall not have surrendered the same and received payment therefor as aforesaid, the remainder of the proceeds of such foreclosure sale not thus applied to the payment of said bonds shall be paid over to the said Union Pacific Railroad Company for its own use.

If the proceeds of such foreclosure sale shall be only sufficient or less than sufficient to pay said 6 per cent. bonds and interest thereon, then said trust company is to advertise, in manner as aforesaid, for proposals from the holders of said 6 per cent. bonds to sell to said trust company their said bonds at a rate not exceeding the face thereof, with interest and a premium of 2½ per cent. upon said bonds, and said net proceeds shall be applied to the purchase and cancellation of the same from parties making the lowest offer; and if in answer to such proposals the said net proceeds shall not be exhausted, the surplus, if any, shall be paid over to the said Union Pacific Railroad Company for its own use.

12. For all services in the execution of this trust said trust company shall receive compensation as aforesaid, to be paid out of the proceeds of the trust fund before any payments are made for or on account of interest or principal of said bonds.

It is understood and agreed that upon the payment of principal and interest and cancellation of said Union Pacific Railroad Company's 6 per cent. bonds certified under this agreement, and upon the payment to the trust company of all the expenses of this trust, as agreed upon, the remaining bonds, securities, and cash, if any, shall be paid over to the said Union Pacific Railroad Company.

In testimony whereof the said Union Pacific Railroad Company and the said Union Trust Company of New York, have caused their corporate seals to be affixed hereto, and these presents to be signed by their respective presidents, the day and year first above written. This indenture is executed in triplicate to serve as one.

[SEAL OF THE UNION PACIFIC RAILROAD CO.]

THE UNION PACIFIC RAILROAD COMPANY,
By SIDNEY DILLON, *President*.

Attest:

HENRY McFARLAND, *Secretary*.

[SEAL OF THE UNION TRUST CO.]

THE UNION TRUST COMPANY OF NEW YORK,
By EDWARD KING, *President*.

Attest:

A. O. DONALDSON, *Secretary*.

[Form of bond.]

UNITED STATES OF AMERICA.

THE UNION PACIFIC RAILROAD COMPANY.

Collateral trust bond.

The Union Pacific Railroad Company acknowledges itself indebted to the bearer hereof in the sum of $1,000, which sum said company promises to pay to the bearer, or, in case of registration, to the registered holder hereof, twenty-nine years after date, at its office in the city of Boston, and also interest thereon at the rate of 6 per cent. per annum, payable semi-annually on the first day of each January and July ensuing the date hereof, until said principal sum shall be paid, on presentation of the annexed coupons at the office of the company in Boston, or at its agency in the city of New York, both principal and interest being payable in gold coin of the United States.

This bond is secured by a deposit in trust of the mortgage bonds of the Colorado Central Railroad Company, the Utah and Northern Railway Company, and the Omaha and Republican Valley Railroad Company, with the Union Trust Company of New York, under an indenture between the said Union Pacific Railroad Company and the said Union Trust Company, bearing date July 1, 1879, and is subject to redemption by the Union Pacific Railroad Company, on the payment of the principal and accrued interest, together with a premium of 5 per cent., after notice, and at the times and in the manner set forth in said indenture.

This bond shall pass by delivery unless registered, or, if registered, by transfer on the books of said company at its office in Boston, and at such other places as its directors may appoint. After registration of ownership, certified hereon by the transfer agent of the company (unless the last transfer shall have been to bearer), no transfer shall be valid unless made on the books of the company by the registered owner in person, or by attorney, and recorded hereon by said transfer agent.

In testimony whereof the said Union Pacific Railroad Company has caused its corporate seal to be hereto affixed, and this bond to be signed by its president and countersigned by its treasurer, this first day of July, 1879.

[L. S.]

THE UNION PACIFIC RAILROAD CO.,
By SIDNEY DILLON, *President.*

Countersigned:
HENRY MCFARLAND, *Treasurer.*

[Back of bond.]

No. —.

THE UNION PACIFIC RAILROAD COMPANY.

COLLATERAL TRUST BOND.

SIX PER CENT.

($1,000.)

Interest payable January 1 and July 1. Principal due July 1, 1908. Gold.

Bondholders are cautioned that anything written or stamped upon this bond, except by an officer of the company in conformity to its terms, injures its value for sale and delivery.

No provision is made for the registration of the coupons of this bond.

[Form of coupon.]

On the first day of January, 1880, the Union Pacific Railroad Company will pay to the bearer at its office in Boston, or its agency in New York, thirty dollars in gold coin of the United States, being for six months' interest on bond No. —.

$30.

—— ——,
Treasurer.

(On the margin:) 1.

Form of trustee's certificate.

The undersigned, the Union Trust Company of New York, doth hereby certify that this bond is one of a series issued in conformity to an indenture of trust executed between it and the Union Pacific Railroad Company, bearing date July 1, 1879, and is entitled to all the benefits of said trust, and comprehended in all its provisions.

THE UNION TRUST COMPANY OF NEW YORK,
Trustee.

By EDWARD KING, *President.*

Articles of union and consolidation between the Union Pacific Railroad Company, the Kansas Pacific Railway Company, and the Denver Pacific Railway and Telegraph Company, forming the Union Railway Company.

ARTICLES OF UNION AND CONSOLIDATION.

Whereas the Union Pacific Railroad Company, a corporation duly organized and existing under the act of Congress of July 1, 1862, entitled "An act to aid in the construction of a railroad and telegraph line from the Missouri River to the Pacific Ocean, and to secure to the Government the use of the same for postal, military, and other purposes," and the act of Congress of July 2, 1864, and various other acts amendatory of the foregoing, owns a line of railroad and telegraph extending from the Missouri River to Ogden, in the Territory of Utah, a distance of 1,042 miles; and

Whereas the Kansas Pacific Railway Company, described in the said act of Congress of July 1, 1862, as the Leavenworth, Pawnee and Western Railroad Company, the name whereof was afterwards changed to that of the Union Pacific Railroad Company, eastern division, and again subsequently changed to the Kansas Pacific Railway Company, is a corporation which is entitled to participate in the benefits of the said act of Congress of July 1, 1862, and of July 2, 1864, and the various acts amendatory thereof and relating thereto; and

Whereas the said Kansas Pacific Railway Company owns and operates as a branch of the Union Pacific Railroad a railroad and telegraph line from a point connecting with the Missouri Pacific Railroad in Kansas City, in Missouri, thence from the Missouri River at the mouth of the Kansas River, on the south side thereof, with a spur from Wyandotte, in the State of Kansas, being from the east State line of Kansas to Denver, 639 miles in length, with a branch from a point on the main line near Lawrence to Leavenworth, 34 miles in length, in said State of Kansas, connecting at Denver with the Denver Pacific Railway, and is entitled to extend said railroad to the western boundary of the former Territory of Kansas, to locate and construct branches of said railroad in the counties of the former Territory of Kansas adjacent to the line of said railroad, as then located and defined by law; and

Whereas the Denver Pacific Railway and Telegraph Company, under and by virtue of the said acts of Congress, and of an act of Congress approved March 3, 1869, entitled "An act to authorize the transfer of lands granted to the Union Pacific Railway Company, eastern division, between Denver and the point of connection with the Union Pacific Railroad, to the Denver Pacific Railway and Telegraph Company, and to expedite the completion of railroads to Denver, in the Territory of Colorado," and of an act of Congress approved June 20, 1874, which, among other things, enacts that for all the purposes of the said act of July 1, 1862, and of the acts amendatory thereof, " The Denver and Pacific Railway and Telegraph Company shall be deemed and taken to be a part and extension of the road of the Kansas Pacific Railroad to the point of junction thereof with the road of the Union Pacific Railroad Company at Cheyenne, as provided in the act of March 3, 1859," whereby, and by force whereof, the said Denver Pacific Railway and Telegraph Company is likewise entitled to participate in the benefits of the aforementioned acts of Congress of July 1, 1862, and July 2, 1864, and the various acts amendatory thereof and supplemental thereto, and relating to the Pacific system of railroads, all of which, whether particularly herein described or not, are, for greater certainty in this behalf, referred to and made part hereof; and

Whereas the said Denver Pacific Railway and Telegraph Company owns a line of road 106 miles in length, extending from Denver, where it connects with the said Kansas Pacific Railway, to Cheyenne, where it connects with the Union Pacific Railroad; and

Whereas, in the aforesaid legislation of Congress, applicable to the above-mentioned three railroad companies, it is provided that they may unite and consolidate their respective organizations; and

Whereas each of the said above-mentioned three companies, by corporate action duly and severally had, have resolved, pursuant to the authority in that behalf vested in them by law, to unite and consolidate their respective organizations into one company, and have severally agreed to and with each upon the terms of such union and consolidation, being the terms herein embodied and expressed:

Now, this agreement of union and consolidation, made this the 24th day of January, A. D. 1880, between the said Union Pacific Railroad Company, party of the first part, the said Kansas Pacific Railway Company, party of the second part, and the said Denver Pacific Railway and Telegraph Company, party of the third part, witnesseth:

That the said parties have respectively agreed, and do hereby severally agree to and with each other, upon the following articles of union and consolidation of their respective organizations into one company, viz:

ARTICLE I. The said Union Pacific Railroad Company, the said Kansas Pacific Railway Company, and the said Denver Pacific Railway and Telegraph Company, in consideration of the premises, do hereby severally agree to and with each other to unite and consolidate, and do hereby unite, form, and consolidate their respective organizations, properties and companies into one consolidated company, which shall succeed to, possess, and be entitled to receive from the Government of the United States all and singular the grants, benefits, immunities, guarantees, acts, and things to be done and performed, and be subject to the same terms, conditions, restrictions, and requirements which the aforesaid three companies respectively, at the date of this consolidation, are, or may be, entitled or subject to under the acts of Congress in that behalf, in place and substitution of said constituent companies, so consolidated respectively; and the said consolidated company assumes to and for itself all of the provisions of said acts of Congress, so far as applicable, relating or in any manner appertaining to said constituent companies or either of them, including the power to sue and be sued in all courts of law and equity within the United States, whether Federal or State, and the right of corporations organized under a law of the United States to remove causes from State to Federal courts; and all of the provisions of the aforementioned acts of Congress, and each of them, so far as in their nature applicable to the company hereby formed, shall apply thereto, it being the intent of the parties hereto and of these articles of union and consolidation to organize the company hereby formed under the said acts of Congress and to make the said acts of Congress the charter or constituent acts of this company as fully as if the same were incorporated herein at large.

ART. II. The name of the consolidated company hereby formed shall be the Union Pacific Railway Company.

ART. III. The capital stock of the said Union Pacific Railway Company shall be $50,762,300 (being the total aggregate amount of the outstanding stock of the three constituent companies), which shall be divided into shares of $100 each, and it shall be issued in lieu of the stock of the said constituent companies on the surrender thereof, for that purpose, by the respective holders thereof. Every stockholder in the Denver Pacific Railway and Telegraph Company and in the Union Pacific Railroad Company shall receive in place of every share of $100 surrendered a share of $100 in the new company, and every stockholder in the Kansas Pacific Railway Company, the shares in which are only $50 each, shall receive, in place of every two shares of the stock at the time held by such stockholder in such company, a share of the capital stock of the new corporation upon surrendering to the new corporation the certificates of stock held by such stockholder.

ART. IV. The said new corporation shall, without unnecessary delay, issue certificates of stock, in such form as may by the board of directors be deemed advisable, and such board shall provide and adopt such rules and regulations as may be necessary and proper for the issuing and transfer of shares of stock of the said new corporation.

ART. V. The directors of the said Union Pacific Railway Company, to be elected by the stockholders at the annual meetings herein provided for, shall be fifteen in number, each of whom must be the bona fide owner of at least fifty shares of stock in the consolidated company. Such directors shall be chosen annually by a majority of the votes of the stockholders voting in person or by proxy at such election. And they shall continue to be directors until others are elected and qualified in their places. No person shall be a director unless he shall be qualified to vote for directors at the election at which he shall be chosen; and vacancies in the board of directors may be filled by the remaining directors at any regular meeting of the board.

The directors of said company shall, annually, as soon as may be after their election, elect from their own number a president and vice-president, and shall also elect a treasurer and secretary.

ART. VI. The following-named persons shall be the first directors of said corporation, viz: Fred. L. Ames, Ezra H. Baker, Elisha Atkins, F. Gordon Dexter, Sidney Dillon, Russell Sage, Jay Gould, Solon Humphreys, David Dows, William L. Scott, Silas H. H. Clark, Thomas T. Eckert, John Sharp, Grenville M. Dodge, Carlos S. Greeley. The following-named persons shall be the first officers of the said corporation, viz: President, Sidney Dillon; vice-president, Elisha Atkins; treasurer and secretary, Henry McFarland. The said directors and officers shall continue in office until their successors are chosen, as provided in these articles.

ART. VII. Until otherwise duly provided, the annual meetings of the stockholders of the Union Pacific Railway Company shall be held at the company's office, in the city of New York, on the first Wednesday following the 4th day of March in each year, between the hours of 10 o'clock a. m. and 4 o'clock p. m. of said day. Notice of such meeting shall be given as may be prescribed by the by-laws. These provisions may be changed by the stockholders of consolidated company at any annual meeting of the said stockholders.

ART. VIII. The parties hereto of the first and second and third parts hereby assign, transfer, set over, and convey unto the said Union Pacific Railway Company, the consolidated corporation hereby formed, all the rights, privileges, exemptions, and franchises of each of said companies parties hereto, and all the property, real, personal, and mixed, and all choses in action, debts, on whatever account, of, owing, or belonging to either of said companies, and all claims, demands, property, rights of way, leases, leasehold interests, branches, iron rails, rolling stock, tools and implements, and property of every description, name, and nature, belonging to either of the said companies, with the appurtenances, to be held, owned, and controlled by the said consolidated corporation, its successors and assigns, as fully and completely, to all intents and purposes, as the respective parties thereto do or can now own, hold, use, enjoy, or control the same; and the parties hereto agree to execute and deliver to said consolidated corporation instruments of transfer or assignments, or other instruments proper or necessary to carry out the covenants, conditions, and provisions of this agreement. This assignment, transfer, sale, and conveyance is made to the said consolidated corporation subject to all liens, charges, and equities pertaining thereto.

ART. IX. Nothing in this agreement contained shall affect or prejudice any rights otherwise existing of the consolidated company to make such further increase of stock or bonds as said consolidated company may by law be entitled to make, or restrict the amount of stock or bonds which such consolidated company is by law authorized to issue or make. Nor shall anything herein contained affect or impair the right to issue all unissued bonds under the Kansas Pacific consolidated mortgage of date May 1, 1879, wherein Jay Gould and Russell Sage are trustees, but such unissued bonds may, notwithstanding this consolidation, be issued in the same manner and with the same effect in all respects as if these articles had not been adopted and executed. And it is expressly agreed that the stockholders of the consolidated company shall have all the powers which would have been possessed by the stockholders of each constituent company if this consolidation had not been effected, to ratify, approve, and carry out any contracts made by either constituent company, and requiring the ratification or approval of its stockholders. The power of the Union Pacific Railroad Company to issue all unissued bonds under the mortgage of July 1, 1879, wherein the Union Trust Company is trustee, is fully and completely reserved.

ART. X. The new company hereby formed does not herein assume any separate or individual liability for the outstanding debts, obligations, and liabilities of the respective constituent companies, whose several and separate existence as to third parties shall as respects such debts, obligations, and liabilities of every kind and nature still continue, notwithstanding these articles of union and consolidation. But nothing herein contained shall prevent any valid debt, obligation, or liability of either constituent company from being enforced against the property of the proper constituent company, which by force of these articles becomes the property of the consolidated company. The corporate existence of the respective constituent companies shall not absolutely cease *eo instanti*, on the consummation of the union and consolidation herein provided for, but shall remain and continue so far as necessary to carry out the intent and purpose thereof.

ART. XI. These articles of consolidation shall go into effect, and the consolidated company hereby formed shall come into existence, upon the day on which a copy hereof is filed in the Department of the Interior, as provided in the legislation of Congress in that behalf.

ART. XII. The existing by-laws of the Union Pacific Railroad Company are hereby provisionally adopted, and shall apply to the company hereby formed, until duly changed or repealed.

ART. XIII. All books, vouchers, records, instruments of title, cash, evidences of debt, contracts and documents pertaining to the business or property of the said three companies, parties hereto, shall, without delay, be delivered to the proper officers of the consolidated company, and the said books, records, and papers shall be deemed and taken, as far as necessary, as the records and books of said consolidated company; and said books, records, vouchers, and papers shall be subject to the proper examination and inspection of all persons interested therein.

ART. XIV. These articles may be amended and modified, from time to time, and in such manner as the holders of two-thirds of the stock of the consolidated company may direct or approve.

ART. XV. This agreement shall be executed on the part of the respective parties hereto, by the proper officers, and under the corporate seals of said companies.

In witness whereof the said parties have caused their respective corporate seals to be hereunto affixed, and the same to be attested by their respective presidents and secretaries, this the twenty-fourth day of January, 1880.

THE UNION PACIFIC RAILROAD COMPANY,
[SEAL.] By SIDNEY DILLON, *President.*
Attest:
[SEAL.] HENRY MCFARLAND,
Secretary.

THE KANSAS PACIFIC RAILWAY COMPANY,
[SEAL.] By SIDNEY DILLON, *President.*
Attest:
[SEAL.] A. H. CALEF,
Secretary.

THE DENVER PACIFIC RAILWAY AND TELEGRAPH COMPANY,
[SEAL.] By D. M. EDGERTON, *President.*
Attest:
[SEAL.] D. H. MOFFATT, JR.,
Acting Secretary.

The Union Pacific Railway Company has signified and hereby signifies its assent to and acceptance of the foregoing articles of union and consolidation, January 24, 1880.

THE UNION PACIFIC RAILWAY COMPANY,
[SEAL.] By SIDNEY DILLON, *President.*

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILWAY COMPANY.

SIR: The question raised by the Government directors of the Union Pacific Railway for 1880, with regard to their duty to inspect and report on the branch lines of the road, including the Kansas Pacific and the Denver Pacific, and their branches, not having, to the knowledge of the present Government directors, been judicially settled, they have followed the custom of former years and based their report on the main line from Council Bluffs to Ogden, with only a passing reference to the lateral lines controlled by the Union Pacific, except a more extended reference is made to those commenced or completed the present year, and that have a direct bearing on the work and efficiency of the main line.

A table is given showing the branches, their length and direction. This has seemed to the Government directors to be the proper way of disposing of the matter while the question of jurisdiction was still pending.

THE UNION PACIFIC RAILWAY

is no longer an experiment, as it was thought to be a few years since. It has become what it was designed to be, a great thoroughfare for the nations, with a constantly increasing volume of transportation, both of passengers and freight, from India, China, the islands of the Pacific, and from the Pacific to the Missouri, and through other roads to the Atlantic coast. It is fast changing what was formerly supposed to be the "Great American Desert" into civilized homes, and opening up to settlers the vast wealth of the extensive and rich mineral and farming and stock-raising regions along its line. It also extends its branches north and south into the mountain ranges, where there is an equally productive agricultural country, and where thousands of ranchmen and miners and herders now people the wide wastes that were once given up to the Indian and buffalo and the wild beasts. Millions of dollars are now profitably invested in mines that before the advent of the roads were almost without value, because of the need of transportation.

The Union Pacific Railway has been the great pioneer agency in developing this vast country and opening the way for its settlement, and not only opening the way, but bringing large numbers of people to settle in the country and develop its resources.

The road has been amply repaid for its risk and the great expense of its construction and maintenance, by a constantly increasing business from the sources of its own creation—a business that has taxed its managers to the utmost to provide for, but which has made the road a pecuniary success.

An illustration of this may be seen in the development of the State of Nebraska; a State that includes 361 miles of the trunk line, besides several branches, within its borders. When the first rail was laid the whole State, then a Territory, contained not to exceed 35,000 people who were bona fide settlers. To-day its chief city, then a hamlet, contains 35,000 inhabitants, and in round numbers the State contains 500,000 people, and it is settling, according to the last census, faster than any State in the Union. Iowa, where the initial point of the road is placed, has made wonderful progress, especially along the lines of railroad that gridiron that State and make the Union Pacific Railway their objective point.

The settlement of the Territories has not been less marked. Towns, cities, and mining camps have sprung up almost by magic in every direction. Montana and Idaho and Utah, Colorado and Wyoming, have a large and increasing population, who are developing the mining resources of those localities. The large amount of $27,000,000 was said to be the product of the mines along the mineral belt of the Union Pacific in 1880, to be greatly exceeded by the returns for 1881. All these settlements, and the development of these resources from the Territories, helps in no inconsiderable manner to swell the receipts of the road.

THE LATERAL AND FEEDING LINES.

From information furnished from the Union Pacific Railroad officers, these are the roads that extend from the main line and operate as feeders to it. It will be seen that these branches are already much longer than the main line, and that they extend over a vast range of country that is either wholly new territory or else occupied in competing lines of other roads. The following are the lines above referred to:

	Miles.
Omaha and Republican Valley Railroad	132
Niobrara and Black Hills	82
Saint Joseph and Western	252
Colorado Central road	184
Denver and Pacific Railway	106
Echo and Park City Railroad	31
Utah and Northern Railway	421
Oregon Short Line (completed)	50
Julesburg extension	151
Total	1,409

THE JULESBURG EXTENSION,

completed the present year, is a branch extending from Denver Junction, on the Union Pacific Railway, to Omaha Junction, on the Denver Pacific. This road traverses the valley of the South Platte River. The river is crossed once, 16 miles from Omaha Junction. The location is exceedingly favorable, saving a long distance for travelers from Denver and Southern and Eastern Colorado who wish to go east by the Union Pacific; and a great saving to the railroad company, not only in distance, but in improved grades over the Cheyenne route, that was formerly the only outlet for the Colorado trade, except the Colorado Central, that is open to the same objections as the Denver Pacific.

The length of the line, as stated above, is 151.16 miles, of which 131,38 are tangent. The maximum curvature of the line is on a radius of 5,730 feet, and the total curvature is but 769.21°. There is 1,372 feet rise against 25¼ feet fall, and the maximum grade both east and west is only 15.84 feet per mile. One noticeable feature of the line is the almost entire absence of cuttings, thus securing immunity from snow blockades.

Water is readily obtained both from wells and from the river, and consequently the soil can be easily irrigated and made to yield large crops, and thus induce early settlement of the valley. The entire line is laid with steel rails.

The Platte River is crossed by an oak-pile bridge 2,600 feet long. Nine depots and ten station-houses; seven water stations, with windmills, and two worked by steam, have been constructed, together with ample coal-sheds and engine-houses, that complete the line for the rolling stock. The running of this railroad is a great convenience to a large population in the country adjacent to Omaha, as it gives two trains per day for the accommodation of travelers, and particularly business men, who have business in Omaha and who cannot well spend a night from their business in the country.

THE UTAH NORTHERN RAILROAD

has been completed to Butte, Mont., a distance from Ogden, Utah, of 421 miles, and gives connection at Butte with one of the richest mining camps in the country. The town has grown, with little outside aid, from a small village to a town of about 4,000 inhabitants in four years.

The mines produce both silver and gold, and in large quantities, and it is claimed by those versed in their history that they invariably grow richer as they descend into the earth.

This road opens the doors, as the first railroad to the trade, with the business portion of Montana, hitherto depending on the freight train and the Missouri River, that is navigable only about half the year.

The Territory of Montana is as large as New England, New York, and another State thrown in to fill up the measure. It is said to contain 16,000,000 acres of arable land; mines of surpassing richness, that are easily and cheaply worked in consequence of an abundance of available water and timber, and also because the richest land for the production of wheat and vegetables and beef is in close proximity to the mining districts all through the mountain ranges. The whole territory contains large amounts of timber for building and mining purposes, and the range for beef cannot be exceeded in any locality.

The road opening up this mountain State is a narrow-gauge, fully equipped, with an excellent road-bed, favorable grades, in fine condition, well managed, and must for all time be an important feeder to the trunk line. This road is to be completed to Helena, the capital of the State, next year. For this purpose a considerable portion of the grading is already done. Other roads from this line are projected to different parts of the Territory, and it is the intention of the company to complete them in the near future.

The mining regions of Montana and Idaho are tributary to this road, and millions of cattle to take the place of the buffalo, now nearly extinct, may be raised on the rich and extensive ranges. Already the Eastern markets are to a considerable extent supplied with beef from these ranges, and increasing quantities are exported to Great Britain, both on the hoof and in refrigerators, and the beef is said to compare favorably with the best English beef. The value of such extensions to the Union Pacific Railway can scarcely be overestimated.

OREGON SHORT LINE.

This new line has been commenced the present year; over 50 miles are already completed, with grading and ties for a much longer distance. It commences at Granger, on the Union Pacific Railway, a station a few miles west of Green River, and passes through a portion of Wyoming, the whole of Idaho, making Baker City, Oreg., its objective point, and connecting with the whole system of ocean railway and river navigation of the Northern Pacific coast. It is a standard-gauge road, and like the Utah Northern, which it crosses, it passes through a fine stock country, rich with minerals, and opens direct communication with Oregon, Washington Territory, and the Pacific coast.

It penetrates a region where the slow freight wagon or the lumbering stage coach have been the only means of locomotion except the saddle and traveling on foot, but which is as capable of settlement and improvement as the average Territories of the United States. It scarcely need be aded that this will be an important feeder to the parent line, because it will command a vast amount of freight and passenger transportation that has hitherto found its way to the East either by way of San Francisco and the Central Pacific or by steamers or sailing vessels to New York or Europe.

The directors mention briefly but one other line, as the remainder have been alluded to in other reports, though much might be said of all of them.

THE NIOBRARA AND BLACK HILLS RAILWAY.

The terminus of this road has been wisely changed from Duncan, on the west side of the Loupe Fork, to Columbus, on the east bank of the river, 7¼ miles from its former location. By this change the distance between all stations is shortened 5 miles, and the crossing of the Loupe Fork is avoided. This road, besides its objective point, the Black Hills, a rich mineral region, passes through some of the best wheat fields of the country. The soil is of the best quality, well-watered, and in some portions has abundant timber. For these reasons the land is much prized by the settlers, who are fast filling up the vacant sections. Large stock interests are also being established in the northeastern part of Nebraska and in Wyoming, on the projected line of the road.

THE TRACK

from Council Bluffs to Ogden, on the Union Pacific Railway, could scarcely be in better condition. There is no smoother running road in the country. It is well ballasted, with good cross-ties at suitable distances apart, and all but about 50 miles has been laid with steel rails. Every effort is made to keep the road in complete repair.

Between Council Bluffs, Iowa, and Ogden, Utah Territory, there have been laid during the year 1881, up to September 1, 17,559.54 tons of steel rails, which would be equivalent to about 192 miles of steel track laid this season. The total number of cross-ties that have been put into the track from January 1 to August 1, 1881, is 173,809. These ties are of different kinds of wood, obtainable along the line or purchased where they could be had at best advantage. Of these, 32,777 are cedar, 122,193 are common pine, and 18,739 are oak.

Several hundred feet of pile bridges have been filled with embankment, and the road has been raised and widened in many places.

The cuttings just west of Omaha have been widened, preparatory to laying down a new track from Summit, the first station west of the city, the increasing business of the road demanding more track accommodations. The work on the heavy grades at Elkhorn Hill, the first river-crossing west of Omaha, has been completed.

The maximum grade was originally 79.3 feet per mile. It has been a constant source of annoyance to the company, often requiring the division of freight trains to pass the steep grades. It has been reduced to 21 feet per mile, and fifty cars will now be as easily hauled as eighteen were before the change. It required a large outlay, not only to remove the earth, but to build the embankment necessary to overcome this grade.

The unprecedented freshets in the spring of 1881, and the long-continued high water attendant, worked serious damage to a considerable portion of the road in the Platte Valley east of Columbus. The water was higher than ever before since the construction of the road, and it wrought injury that no human foresight could have anticipated or prevented. The track in many places was washed away, and what had before been dry land, or perhaps the bed of a dry creek, became a raging torrent, sweeping all before it.

All these damages have been repaired, and the road-bed has been raised at exposed places to high-water mark all along the line through the Platte Valley from Elkhorn to Columbus. About a mile of track near Fremont has been raised two and one-half feet, and similar work has been done near Elkhorn bridge.

BRIDGES.

Of the iron bridges in process of construction at the date of last report all have been completed except two, viz, one across the Elkhorn River, near Waterloo Station, and one across the East Fork of Papillion Creek. Three more iron bridges, of two spans each, are contracted to be built, and work upon their foundations has been commenced. Each span will be 150 feet long and 16 feet in width. They are overgrade Pratt truss bridges, and are located west of Granger, one of them over Ham's Fork and two over Black's Fork.

On Bitter Creek, Wyoming Territory, six Howe truss bridges have been replaced by oak-pile trestles.

Between Piedmont and Evanston oak-pile foundations have been driven for six iron truss bridges, each 50 feet long. Forty or fifty oak-pile bridges, of length varying from 48 to 112 feet, are in process of construction at various points along the line. The work done in the bridge department is of the best quality, and with a view to safety and durability.

WATER AND TANKS.

From the first commencement of work along the line of the Union Pacific Railway the question of the water supply has been a serious one. The trains were at first in some places supplied with water only by extra trains, run at great expense and difficulty, and the present full supply of water in improved tanks has been procured at large expense and much thought and patient investigation of different methods of procedure on the part of those who have been in charge of this department, and indeed of all the general officers of the road. Happily, that question is now practically settled. The supply comes from springs, artesian wells, and in many instances from the ordinary wells. The alkali in the water in many instances renders it unfit for use, and where surface water was so impregnated as to be worthless, the artesian well solved the difficulty by giving pure water from the depths of the earth. The complete apparatus for the standard station now built by the company consists of a circular frost-proof tank, 24 feet in diameter and 16 feet in height. The tank is mounted on cast-iron columns, which are set on stone and concrete foundations. The Halliday windmill is used, with a wheel 25 feet in diameter. The frame of the mill is mounted on and bolted to iron columns which rise from stone foundations. The pit for pump is cast iron. The wells are 12 feet in diameter, curbed with oak plank and hooped with wrought-iron bands, making a very serviceable and enduring reservoir for the water.

New water stations of the above description have been erected at the following stations between November 1, 1880, and November 1, 1881: Gibbon, with well 26 feet deep; Kearney, with well 25 feet deep: Willow Island, with well 13 feet deep; Brady Island, with well 15 feet deep.

At Clark's station, North Bend, and Columbus old tanks have been replaced by new ones. New tanks will be built the present year at Alkali, Ogallala, Lodge Pole, and Potter.

At Laramie a new tank is to be built, to be supplied with springs.

Artesian wells are in process of construction at the following places:

At Rawlins the machinery for boring is being erected.

Fillmore, present depth 750 feet.

Table Rock, present depth 750 feet.

Salt Wells, in same condition as Rawlins.

At Antelope station a well has been dug 3,408 feet from the track, and a 4-inch iron pipe has been laid from the well to the tank; a pump-house has also been erected.

At Granite Cañon a new supply pipe has been laid, from a spring 5,850 feet from the track, of 4-inch pipe, and a pump-house erected.

A new wooden pump-house has been erected at Rawlins, with stone foundations.

At Echo a complete system of water works has been completed for station and engine-house, with hydrants for fire protection.

At Evanston and Rock Springs tank and boiler houses have been erected.

COAL.

New sheds have been built in various places along the line of the road. These sheds are 30 by 340 feet, with stone foundations. Each shed contains 16 bins, capacity 20 tons each, and 32 chutes 4 tons each. The cars to be run into the buildings by locomotives; the coal to be shoveled from the cars into the chutes.

The coal is required for the use of the road, for manufacturing purposes, and for settlers on the prairie, until they can grow their own fuel by planting trees. The very rapid growth of trees gives the settler his own fuel in a few years. It is the intention of the company to keep a full supply all the time, but two reasons have interposed to make it difficult the present year: First, the impossibility of obtaining cars to move it in, a difficulty known to nearly all roads; and, secondly, the great scarcity of men to work in the mines. A large force is now at work, and it is believed that soon the supply will equal the demand.

LOCOMOTIVE AND CAR DEPARTMENT AND BUILDINGS.

The great increase of the business of the road, both in the freight and the passenger departments, has demanded a corresponding increase in the rolling stock, and in facilities for its manufacture and repairs. This increase may be shown by comparing the reports of the Government directors of former years with those of the present year. In 1877, only 775 men were employed in the shops at Omaha. In 1881, 3,300 were on the pay-rolls at the Omaha shops, and 7,808 were employed along the line, as against less than 4,000 at the former date. This does not include the men employed at the mines, nor those employed in the rolling mill at Laramie. On the Union Pacific Railway and all its branches there are fully 16,000 employés.

There have been purchased the current year 1,100 new box cars, 300 new flat cars, and 300 new stock cars. The great labor of keeping so large a number of cars in repair has precluded the possibility of manufacturing many cars at the company's shops, but the following have been built for the Union Pacific Road: Five baggage cars, 17 way cars, 16 coal cars, 6 box cars, 3 stock cars, besides a large amount of work for the branch roads.

Locomotive and car department buildings have been added, or are contemplated, as shown by the following tables:

	Feet.
Omaha, car-shops, to give room for 40 cars, wood	170 by 300
Omaha, car-shops (commenced)	200 by 300
Columbus, four-stall brick round-house	
Grand Island, blacksmith-shop, stone	75 by 150
Grand Island, blacksmith-shop, stone	100 by 162
Grand Island, car-shops	100 by 150
Grand Island, car-shops	100 by 300
With boiler and engine room	50 by 60

These will be completed about March, 1882.

North Platte, engine-house, brick, 28 stalls	
North Platte, boiler-shop, brick	50 by 125
North Platte, oil-house, brick	40 by 60
North Platte, store-room, brick	40 by 60
Cheyenne, blacksmith-shop, wood	25 by 40
Cheyenne, store-room	25 by 40
Green River, machine and car shop	40 by 70
Green River, pump and boiler house	20 by 24
Green River, blacksmith shop	36 by 44
Rock Springs, engine-house, 2 stalls	

New and improved machinery has been put in at Omaha, North Platte, Laramie, Evanston, Rawlins, and Cheyenne.

The coal department have erected at Carbon coal mines fourteen tenement houses:

	Feet.
Engine-house	35 by 45
Boiler-house	35 by 45
Dump-house	25 by 240

At Rock Spring coal mines—

12 tenement houses (for white laborers)	14 by 32
18 tenement houses (for Chinese laborers)	13 by 32
Engine and boiler house	40 by 80
Slack building	40 by 40

At the Almy mines—

12 tenement houses (white laborers)	14 by 32
20 tenement houses (Chinese laborers)	12 by 32

At Shelton, Denver Junction, and at Echo new passenger stations have been built, and at Denver Junction a freight depot and an agent's house.

At Rawlins, new wooden pump-house, 16 by 32 feet, with stone foundation.

At Evanston, boiler-house, stone foundation, 30 by 40 feet.

MOTIVE POWER.

There have been 46 new locomotives purchased during the year, 38 rebuilt, and 25 so thoroughly repaired that the number rebuilt might fairly be stated at 63. The engines purchased have been of the best quality, 10-wheelers, and 10 of them heavy 50-ton engines for the heavy grades.

In the shops of the company the whole available force has been employed, and frequently with two sets of hands the work has been continued day and night.

For safety, comfort, durability, and elegance there are no cars constructed in the country that are superior to those manufactured in Omaha by the Union Pacific Railway Company, and no better trains pull out from any station-house than from theirs for the overland trip. The cars are of uniform size, height, and color, and leave little to be desired in a complete railroad train. The road has been peculiarly fortunate in the men who have for so many years stood at the head of the locomotive and car departments. They are thorough mechanics, and well skilled in the manufacture of all railroad equipments.

The emigrant cars particularly deserve a word of notice. They are constructed so as to be not only comfortable during the day, but at night they are excellent sleeping cars, differing from the ordinary sleeping car only in the lack of luxurious furnishings, but well adapted to the wants of emigrants, particularly the women and children, in their long journey, often from foreign countries, to their frontier homes. No extra charge is made for these cars.

LAND DEPARTMENT.

Without going into a detailed report of the land operations of the company, we subjoin the following statement of the sales of land since last March. Detailed reports have been given in previous reports, and this is deemed sufficient to show the amount sold in the intervening time.

Land sales Union Pacific Railway Company, Union Division.

Months.	Acres.	Proceeds.
March	5,186	$31,019 77
April	7,077	34,060 78
May	8,873	50,109 74
June	9,654	48,234 53
July	8,854	44,821 70
August	7,057	35,713 66
September	8,447	37,278 63
October	10,064	48,754 96
November	10,474	43,706 61

These sales, it will be seen, cover only nine months of the fiscal year, and they aggregate, disregarding fractions of acres, 75,692 acres sold, for which was charged $373,199.15, the average per acre being $4.93.

The whole issue of land-grant bonds amounted to $10,400,000. President Dillon, in his report for 1880 to the stockholders, says: "There have been canceled of these bonds $4,329,000. The land contracts, cash on hand, accrued and accruing interest, amount to a sufficient sum to retire all the land-grant bonds." With the large amount received from all the above-named sources, the constant sales, and the very small amount of "payments forfeited," together with the increased value of land along the line, the "cash on hand" must soon be sufficient to retire all the bonds and leave the remainder of the land grants in the possession of the company, without incumbrance, and add greatly to its resources.

IMMIGRATION AND RESOURCES.

The number of immigrants that are coming from every part of the world to people the States and Territories west of the Missouri is very large. They come not only from the older States in great numbers, but from every part of Europe and from Asia. This immigration is becoming so marked that it is attracting the attention of some of the governments of Europe, who look upon it with great concern, and they strive to throw all legal obstacles in the way of those who desire to make new homes in America. But the tide of immigration has steadily increased during the past year, and is likely to for years to come. These men claim as a homestead a quarter section (160 acres) of public land; they pre-empt another quarter section, and often take another as a timber claim; or if they have money, as is frequently the case (now much more than formerly), they buy land which is nearer the railroad and consequently more valuable. Others come as miners, laborers, herders, and for various positions in all kinds of service. All these men, or nearly all, have an ambition to be freeholders of land in some form, and make a home for themselves and their children. These constant accessions are fast peopling the vast country west of the Missouri—a country at least 1,200 miles square, with capabilities of raising all the products of the earth, from cotton and the tropical fruits in the south to the finest wheat and vegetables in the north.

Timber is abundant for building purposes; mines are developed of immense value, of gold, silver, copper, coal, iron, and other minerals. There are deposits of soda, oil, borax, and sulphur that are practically inexhaustible, and only await the demand to supply all that is needed of these articles. Hundreds of thousands of cattle, sheep, and horses, of the best quality, and many of them blooded animals, are being raised for the markets; and with all these inducements it is not strange that so large an immigration is coming to people these vast regions—too vast and varied for the human mind to contemplate.

The only object of the Government of the United States in asking for this and similar reports from the subsidized companies is to place a safeguard around the credit and money it has advanced for the construction of these roads; and the only question of importance, aside from the judicious operations of these roads, is, will the money advanced by the Government be repaid?

At one time it might have been difficult to answer this question, but that time has passed. These immense resources from settlement, and the judicious sending out of branch roads to control this trade, shows conclusively that the Union Pacific Railroad has the ability to settle in full all just claims of the Government long before such claims are due, giving dollar for dollar, with interest, for all indebtedness. It is a significant fact, as stated in the president's report for 1880, that "of the total earnings of the company from transportation of freight and passengers during the year 1880, 72 per cent. were received from local business." The amount of local business has, we are informed, increased the present year, showing how rapidly the country is becoming settled, and of how little comparative importance the through freight is to the company.

It is stated by the officers of the road that 90 per cent. of the surplus earnings of the Union Pacific Railway Company are local earnings, while the through freight at the commencement of the business of the road represented 70 per cent. of the surplus earnings. This showing proves conclusively that, with the constant increase of local business from the rapid settlement of the country, and from the branch roads, the Union Pacific Railway need have no fears of competing through lines, while it depends upon this source of income for only 10 per cent. of its surplus earnings, and this percentage constantly diminishing in favor of local earnings.

FINANCE.

The Government directors have not deemed it necessary to make an elaborate report of the condition of the finances of the company. This report is made in another form to the Government, by an auditor appointed by act of Congress. It is sufficient to say that all points of difference between the Government and the Union Pacific Railroad Company are understood to have been settled by the "funding bill" of May 7, 1878. This provides that the company shall pay to the Government annually $800,000, in addition to one-half the earnings, on Government account, or a sum which, added to such half, would equal 25 per cent. of net earnings, and to establish a sinking fund with which to pay at maturity the whole indebtedness. The Hon. Sidney Dillon, president of the road, informs the Government directors that the company is complying in every material particular with the requirements of the Government in this bill, and that the company are fully prepared to meet at at any time all the just claims of the Government for its credit advanced to the road.

MANAGEMENT.

From frequent trips over the road, made by some of the Government directors, both officially and privately, they deem it but just to say that the road is, in their opinion, carefully and judiciously managed, and that great credit is due to the officers in charge of its immediate interests for their constant and indefatigable efforts to make the road in all departments a first-class road, equal to the best managed roads in the East, and their efforts are only equaled by their success; and they cannot forbear the expression of the opinion that it is a matter of just pride to every American citizen that a great national enterprise, undertaken with so much doubt and uncertainty, and with so many predictions of failure from high authority, and with so much at stake in the progress and welfare of the nation, should have proved so complete a success, both financially and in opening up a vast country hitherto a wilderness, and uniting in a common bond the people of the Atlantic and Pacific coasts, more than 3,000 miles apart, with the fast growing settlements of the prairies and those of the Rocky Mountains.

GEO. W. FROST,
A. KOUNTZE,
S. T. EVERETT,
R. H. BAKER,
Government Directors Union Pacific Railroad Company.

Hon. S. J. KIRKWOOD,
Secretary of the Interior.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILROAD COMPANY FOR THE YEAR 1882.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES, TRANSMITTING A COMMUNICATION FROM THE SECRETARY OF THE INTERIOR, INCLOSING THE ANNUAL REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILROAD FOR THE YEAR 1882.

[House Ex. Doc. No. 94; Forty-seventh Congress, second session.]

FEBRUARY 26, 1883.—Referred to the Committee on Pacific Railroads and ordered to be printed.

To the Senate and House of Representatives:

I transmit herewith, for the information of the Congress, a copy of the annual report of the Government directors of the Union Pacific Railway Company, under date of the 19th instant.

CHESTER A. ARTHUR.

EXECUTIVE MANSION,
February 26, 1883.

DEPARTMENT OF THE INTERIOR,
Washington, February 26, 1883.

SIR: I have the honor to submit herewith, for transmission to Congress, a copy of the annual report of the Government directors of the Union Pacific Railway Company, under date of the 19th instant.

Very respectfully,

H. M. TELLER,
Secretary.

The PRESIDENT.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILWAY COMPANY FOR 1882.

The Hon. SECRETARY OF THE INTERIOR,
Washington, D. C.:

SIR: Three of the present Government directors of the Union Pacific Railway Company were appointed in June, 1882, viz, Messrs. Haven, Bromley, and Parrish; of the others Mr. Ferry was appointed November 10, 1882, to succeed Mr. R. H. Baker, deceased, and Mr. Hoyt November 28, 1882, to succeed Mr. George E. Spencer, removed. All were entirely new to the duties of the position, and without any knowledge, of course, either of the condition of the road and its branches or of the affairs of the corporation.

Owing to circumstances which will presently appear, our opportunities for gaining the information requisite for an intelligent and faithful discharge of our duties have been exceedingly limited, and our report is far from being as full and complete in many particulars as we could wish.

Nearly three months having elapsed after the making of the appointments without our receiving any notice of a directors' meeting or any recognition from the stockholders' board, one of our number, Mr. Bromley, called at the office of the company in New York with the view of ascertaining, if possible, whether any functions attached to the office; and, if so, what was their nature. He was treated with great courtesy by the chief executive officer of the company, who, however, informed him, somewhat to his surprise, that practically there were no functions; that the office was a "myth;" that the road and equipment belonged to the stockholders; that provision for the payment of the company's debt to the Government had been made by the "Thurman bill," and that, as a matter of fact, the Government had no further concern with the direction of the road or its management. It had been the practice in former years, he said, for the Government directors to make a trip over the road and to make a report of its condition; but all the facts and figures contained in the report were obtained from the reports of the company's own officers and the company's books. Moreover, there was now less necessity than ever for such a report, since the ground it would occupy was already covered by the report of the Commissioner of Railroads, an office created by recent legislation. It was evidently his opinion that the Government directors had neither duties, responsibility, nor power, and that aside from making a pleasure trip over the road, nominally for the purpose of inspection, there was nothing for them to do. Facilities for making such a trip, he said, would be afforded at any time the directors might desire them. As to the directors' meetings, he did not know when the next one would be held, but presumed that the Government directors would receive notice from the secretary whenever one should be called.

This succinct definition of the functions of the office from the point of view of the company's chief executive officer did not hold out large promise of usefulness in our official position to either the Government or the company. While there was no lack of courtesy or even cordiality towards the representative of the Governnment during the interview, it was quite manifest that the company's officers had no disposition to magnify the office of Government director, nor any intention of imparting to us any more information concerning the condition of the road and the conduct of its affairs than was already accessible through other sources to the Government and the public.

A request forwarded to the secretary of the company, at Boston, for copies of all laws relating to the company, and particularly for the legislation by which the office of Government director had been relegated to the domain of mythology, received prompt and courteous response, but nothing was found in any of the laws upon the subject or in the law creating the office of Commissioner of Railroads that seemed to warrant the assumption that the duties and responsibilities of the Government directors had been in any way curtailed or modified. It became a question, then, with the two Government directors, who were in communication with each other, Messrs. Haven and Bromley, whether they would press for recognition or resign a position involving duties and responsibilities which they were not permitted to discharge. Upon the assurance of President Dillon that a directors' meeting would be called at an early day, they decided to take no immediate action.

It was not until the 3d of November, 1882, nearly six months from the date of our appointment, that a call was issued for a directors' meeting, to be held at New York on November 15.

At this meeting only two of the Government directors, Messrs. Haven and Bromley, were present; consequently, there being no quorum, no organization of the Government board could be effected. By action of the stockholders' board, in accordance with the provisions of the charter, all the directors were assigned to committees, Mr. Haven to the executive committee; Mr. Bromley, finance; Mr. Ferry (who had been appointed November 10 in place of Mr. Baker, deceased), lands; Mr. Parrish, Missouri River Bridge, and Mr. Spencer, to connecting roads. Beyond business of a routine character and the acceptance of the reports of the last previous meeting, nothing was done at this meeting.

Prior to this meeting public announcement had been made of a forthcoming collateral trust loan, to be issued by the company, to be secured by deposit of bonds of some of the branch roads already built and under the management of the company. The report of the previous meeting as read contained no reference to this loan, nor was it made the subject of discussion. It was learned that the executive committee, which had managed the transaction so far as it had proceeded, had been, by previous action of the board, endowed with such absolute authority that no ratification or approval of their acts by the board was deemed necessary.

On the 16th of November the two Government directors who had attended the meeting of the previous day addressed to Mr. Henry McFarland, the secretary of the company at Boston, a letter requesting him to call a meeting of the Government directors at Boston, at such time between January 4 and January 12, 1883, as would best suit his convenience, for the purposes of organization, &c. In the same communication they gave him notice that they desired him to be prepared to furnish at said meeting specific information concerning several points therein enumerated, and set forth, among others—

"Data touching construction, cost, condition, &c., of all roads owned or leased by the company; gross and net earnings of main line, prospects of revenue from collateral roads; what portion of net revenue is applied to the extinguishment of the debt to the Government, and from what sources derived, whether from the main line or the whole system; what issues of bonds or stocks have been made since the main line was completed, and under what authority."

In addition to these inquiries they said:

"Questions having arisen concerning the legality of the proposed issue of collateral trust bonds, we should be glad to be definitely assured that the issuance of the same is in strict accordance with the provisions of the charter. We hope you will be able at the proposed meeting to lay before us such legal opinions as will remove any doubt that may exist upon this point."

Under date of November 21 Mr. McFarland replied that he had never been intrusted with the power to convene the Government directors, and disliked to assume that duty. He suggested that the directors agree upon a chairman who should serve notices for such meeting. As to the information sought, he said:

"I am instructed to say that the officers of the company here will, as far as is consistent with their engrossing occupations, be ready to afford the same so far as it may be useful or necessary to enable the directors to discharge their duties."

On the 23d of November Messrs. Haven and Bromley renewed their request, upon the ground that they did not constitute a quorum, consequently could not organize by the appointment of a chairman as suggested. On the 25th of November their request was complied with, and a meeting of the Government directors was called by Secretary McFarland, to take place at Boston, January 12, 1883. Notice of the meeting was also sent to Mr. Hoyt, who had just been appointed in place of Mr. Spencer, removed.

Meantime, to wit, on the 21st of November, 1882, one of our number (Mr. Haven) having been served with notice of a suit contesting the legality of the forthcoming collateral trust loan, of which he had no knowledge, except from common rumor and other unofficial sources, Messrs. Haven and Bromley addressed your Department, setting forth the situation of affairs so far as they were informed, and asking instructions from the Department concerning the course they should pursue in the premises.

The information received unofficially somewhat later that the loan had been withdrawn, and that its issuance was no longer contemplated, obviated the necessity for an answer to our inquiry. The Government director appointed on the executive committee not having had meantime any notice of a meeting of thatcommittee, we are as ignorant of the authority by which it was withdrawn as of that by which the issue was ordered.

At the meeting of the Government directors at the company's office in Boston, on January 12, 1883, there were present Messrs. Haven, Bromley, Parrish, and Hoyt. An organization was effected by the choice of Mr. Haven as chairman and Mr. Bromley as secretary. No formal answers had been prepared to thequestions propounded in the communication from Messrs. Haven and Bromley, referred to above, but the secretary and other officers of the company evinced a willingness to answer any questions that might be proposed, and facilities were afforded for examining the books and accounts of the company.

Detailed statements had been prepared by the employés of the company for use by counsel in the suit above referred to, contesting the legality of the issue of collateral trust bonds, and from these the answers to several of our inquiries might have been obtained. But it was represented to us that the company's attorneys were unwilling to have copies furnished us until they had been submitted to them, and the meeting was adjourned accordingly, to meet in New York on the 17th of January, when it was understood that definite answers to our inquiries would be submitted.

At the adjourned meeting, January 17, there were present Messrs. Haven, Bromley, Parrish, and Hoyt. A communication was received from Mr. Ham, the assistant treasurer of the company, at the hands of Mr. Holmes, of counsel for the company (subsequently certified to by Secretary McFarland), containing answers to all our inquiries, as full and satisfactory as could be desired. Supplementary thereto Mr. Holmes communicated to us, verbally, in answer to inquiry, such information as he was possessed of concerning the company's transactions, its conditions, and prospects. At this meeting we had the first real indication of a disposition on the part of any official representative of the company to treat the Government directors as entitled to the confidence of the managers, and to disclose to them frankly and fully the affairs of the company. In view of the obstructions and delays we had experienced, and the apparent shyness and distrust with which we have been treated, the natural effect of which was to awaken suspicion (whatever may have been the intent), we were agreeably surprised to find that from all we could learn the management of the road had been prudent and wise, its affairs honestly and ably administered, its condition and prospects good, with nothing to be gained from concealment or evasion, and nothing to be feared from publicity.

The circumstances connected with our efforts to obtain recognition as representatives of the Government in the board of directors have been narrated somewhat in detail in order, first, that the reasons for the delay in submitting our report may be known at the Department; and, second, that the views hitherto entertained by the management concerning the functions and duties of the Government directors may be more fully understood. While we acquit the stockholders' board and the officers of the road of any design of concealing or withholding anything from us for their own purposes concerning the management or condition of the road, we feel constrained to say that, in our opinion, the limitations which they undertook to put upon us in the exercise of our official duties were not only unwarranted by law, but calculated to impair public confidence in the administration of the company's affairs. The question raised in 1880, after the consolidation of the Union, Kansas, and Denver Pacific companies, as to the jurisdiction of the Government directors over the consolidated company had never been pressed, and we understood that their jurisdiction is not now denied upon the ground of that consolidation. As to the suggestion that the office has virtually been superseded by the creation of the office of Commissioner of Railroads, we are very clear that no such intention is expressed or implied in the law. The obvious purpose of the law creating the office of Government director was to secure in the actual and active direction of the company representatives of the large interest held by the Government in the road. It was intended that the Government's representatives should not merely be a medium of communication through whom what had been done might be learned, but that they should have a voice in the direction, having intimate knowledge of its affairs, and keeping themselves thoroughly informed concerning all its transactions and the policy of its administration. The appointment of the Commissioner of Railroads obviates the necessity for much of the detail concerning the condition of the road and equipment, and for the extended statistics formerly contained in the Government director's report, but in no other respect that we can see does it limit their functions or relieve the company's officers of the duty of consulting them upon all matters concerning the management.

We feel it our duty, therefore, to direct the attention of the Department to the following facts:

1st. That although some of us received our appointments in June, 1882, and although the by-laws provide that stated meetings of the board shall be held quarterly, we received no notice of any meeting until November, and then of a special meeting, and that no quarterly meetings have been held, to our knowledge, since our appointment.

2d. That all the proceedings relating to the important transaction of issuing a collateral trust loan were had without our knowledge, or any notification to us.

3d. That the equally important transaction of withdrawing the loan was decided upon without our knowledge or any notice to us.

4th. That a dividend was declared in December, and notice of the same published without the knowledge of, or any notification to, the Government director, who is a member of the executive committee, or any other one of our number.

5th. That we have not been consulted concerning the inception or progress of any matter falling within the province of the directors, and have only learned after the event, from current rumor or by persistent inquiry, of any action of the directors or their executive committee.

And we submit that herein are specific instances of neglect, if not violation of law, which deserve notice, as liable, if persisted in, to work mischief to the interests of both the company and the Government. We repeat that there is, in our judgment, no evidence of willful violation, but only of neglect to comply with the requirements of law under a possible misapprehension of the official functions of the Government directors.

CONDITION OF ROAD AT DATE OF COMPLETION.

The condition of the road on November 5, 1869, the date at which it was found by the Government to have been completed, is shown by the following:

APPROXIMATE STATEMENT.

Assets.

Construction and equipment		$96,658,021 70

Liabilities

Capital stock		25,762,300 00
Funded debt		40,018,000 00
United States bonds	$26,638,000 00	
United States interest	743,719 64	
		27,381,719 64

Floating debt:			
Bills payable		$2,571,912 06	
Pay-rolls, vouchers, &c		1,022,940 72	
Accounts payable		4,029,906 09	
Total		7,624,758 87	
Less cash	$224,589 46		
Bonds and stock	410,000 00		
Accounts receivable	533,576 20		
Agents, conductors, other roads, &c	1,083,808 36		
Material	1,642,766 10		
Due from United States	234,016 69		
		$4,128,756 81	
			3,496,002 06
			96,658,021 70

Memorandum.—The preceding statement is approximately correct for the date given, as appears by the books of the company.

It should be said, however, that very large sums were due from the company at that date on construction account, toward which payments were, from time to time, made during the succeeding years.

PRESENT CONDITION.

Its condition on June 30, 1882, as shown by the report of the Commissioner of Railroads, was as follows:

LIABILITIES.

Funded debt		$82,555,053 75
Interest on same, accrued, but not due		2,049,600 74
United States subsidy bonds		33,539,512 00
Interest on same, accrued, but not due		29,074,812 78
Dividends unpaid		1,123,371 14
Floating debt:		
Bills payable	$3,879,707 61	
Pay-rolls and vouchers	2,239,866 99	
Accounts payable	4,635,317 27	10,754,891 87
Total debt		159,097,242 28
Capital stock		60,868,500 00
Total stock and debt		219,965,742 28

ASSETS.

Cost of road and equipment	$157,092,858 46
Cash	1,570,029 16
Fuel, material, and stores on hand	3,963,345 92
Company's stocks and bonds	2,250,940 02
Other stocks and bonds	36,365,347 64
Land contracts and cash	6,448,827 92
Sinking funds	767,658 85
Miscellaneous investments	151,621 76
Interest paid the United States by transportation service	6,871,519 56
Bills and accounts receivable	2,761,500 48
Due from the United States for transportation service	8,578,930 55
Total assets	226,822,580 32
Surplus	6,856,838 04

It is claimed by the company that this statement does them injustice by conveying upon its face a false impression concerning the floating debt in that it does not state the proper offsets. Their own statement of floating debt is as follows:

Bills payable			$3,879,707 61
Pay-rolls and vouchers			2,239,866 99
Accounts payable			4,635,317 27
Floating debt as per report of the Commissioner of Railroads for June 30, 1882, p. 32			10,754,891 87
To which should be added the following other debts:			
Interest on first-mortgage bonds (including July 1, 1882, coupons)		$1,229,385 00	
Interest on other funded debt (including July 1, 1882, coupons)		213,939 90	
Dividends unpaid (including July 1, 1882, dividend)		1,123,371 14	
Called bonds, not presented for payment		47,000 00	
			2,613,696 04
Gross amount of floating or unfunded debts			13,368,587 91
Against which the resources of the company, excluding investment accounts, and bonds, and stocks of other companies applicable hereto, were as follows:			
Cash		$1,570,029 16	
Accounts receivable		2,278,404 95	
Company stocks, and bonds owned by the company		2,250,940 02	
Sinking funds in hands of trustees	$117,558 85		
Less applicable to funded debts	70,558 85		
		47,000 00	
Bills receivable		67,564 50	
Due from other companies on account of traffic balance		415,531 03	
Fuel, material, and stores on hand		3,963,345 92	
			10,592,815 58
Floating debt, June 30, 1882			2,775,772 33

The above statement, they claim, contains the items properly constituting the company on the date named, with such resources, and only such, as are considered proper offsets to the same. It does not include the so-called "investments" in stocks and bonds of other roads, which on that date were as follows:

INVESTMENTS.

	Bonds at par.	Stocks at par.
Amount of bonds and stocks held as investments not applied in statement of floating debt June 30, 1882	$15,224,780 40	$28,851,550
Securities held by the trustees under the Kansas Pacific, by consolidated mortgage	3,155,000 00	1,816,250
Securities held by the trustees under the Union Pacific Railroad Company collateral trust indenture	6,148,000 00	....
Total bonds and stocks	24,527,780 40	30,667,800

(From these investments, amounting to $55,195,580.40, we learn that the company derived a net revenue of $2,172,532.50 during the past year.)

From a comparison of these statements it appears that the Commissioner of Railroads, making no allowance for offsets, places the floating debt at $10,754,891.87, while the company's officers, after making what they consider the proper offsets, exclusive of the so-called "investments," place it at $2,775,772.82. The discrepancy arises, as will be seen, partly from differences of opinion as to what properly constitutes an offset to a floating debt, and partly from differences in book-keeping and in the method of tabulation.

The company's statement, however, contains several items not included in that of the Commissioner of Railroads, to wit: Interest on first-mortgage bonds and other funded debt, dividends unpaid, and called bonds not presented for payment, amounting in all to $2,613,696.04. The difference of one day in the date of the two statements, one being of June 30 and the other of July 1, accounts for the omission of these items from the Commissioner's statement, they falling due on the 1st of July. The floating debt on the 1st of July, 1882, was accordingly $13,368,587.91.

If we omit from the items claimed by the company to be proper offsets to the floating debt "company's stock and bonds owned by the company," $2,250,940.02, and "fuel, material, and stores on hand," $3,963,345.92. it will be found that the floating debt of the company is $8,990,058.27.

FLOATING DEBT, NOVEMBER 29, 1882.

This statement of the floating debt on the 29th of November, 1882, as submitted by the company's officers, is as follows:

Bills payable	$2,980,963 75	
Pay-rolls and vouchers	2,002,840 96	
Accounts payable	3,741,302 91	
Floating debt in the opinion of the United States Commissioner of Railroads		$8,725,107 62
To which should be added the following other debts:		
Interest on first-mortgage bonds (including December 1, 1882, coupons)	353,770 00	
Interest accrued not yet due	782,313 83	
Interest on other bonds	50,409 56	
Interest accrued not yet due	537,756 67	
Dividends unpaid	68,889 89	
Dividends accrued, namely:		
Two-thirds of January, 1883, dividend	710,131 34	
Called bonds, not presented for payment	61,000 00	
		2,564,271 29
Gross amount of floating or unfunded debts		11,289,378 91

Against which the resources of the company, excluding "investment accounts" and bonds and stocks of other companies applicable thereto, were as follows:

Cash	$592,549 84	
Accounts receivable	1,829,822 76	
Company's stock and bonds owned by the company*	2,362,942 04	
Sinking funds, with trustees to pay called bonds	61,000 00	
Bills receivable	112,367 50	
Due from other companies on account of traffic balance.	231,649 52	
Fuel, materials, and stores on hand	3,007,886 58	
		8,198,218 24
Floating debt November 29, 1882		3,091,160 67

In preparing the above statement the company's officers pursued the same plan as in the one of July 1, 1882, making deductions of the same items as proper offsetf. It leaves the debt at $3,091,160.67.

Omitting from these offsets the items "company's stocks and bonds owned by the company," $2,362,942.04, and "fuel, material, and stores on hand," $3,007,886.58, = $5,370,828.62, have $8,461,989.29, a decrease in five months of $528,068.98.

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* Particulars of item in above account, "company's stock and bonds owned by the company:"

$2,132,000 Kansas Division consolidated bonds	$2,132,000 00
$116,000 Kansas Division sub-income bonds	101,300 00
$9,000 Union Division land grant bonds	9,962 50
$5,000 Union Division Omaha bridge bonds	5,161 35
$357.50 Kansas Division coupon certificates	360 69
$50 Union Pacific Railway Company stock	50 00
$159,600 Union Pacific Railroad Company stock	113,607 50
$200 Kansas Pacific Railway Company stock	200 00
$300 Denver Pacific Railway and Telegraph Company stock	300 00
	2,362,942 04

We find that considerable differences of opinion exist among railroad officers as to what constitute proper offsets to a floating debt. In the present case the officers of the Union Pacific Railway Company, having divided their entire liabilities into two classes, the funded and the unfunded or floating debt, the former of which is offset by the property covered by mortgage, have assumed that all their other assets, even those not considered quick or immediately available, like fuel, material on hand, &c., are the natural and proper offsets to the unfunded or floating debt. It is a question on the one hand whether the deduction of all these items from the gross amount of unfunded debt and the statement of the balance as the actual floating debt does not convey an erroneous idea as to the true condition of the company, and, on the other hand, whether a statement of the floating debt which omits to present these items as offsets does not do the company an apparent injustice.

It is undoubtedly true that the current value of the supplies, fuel, material, and stores, provided for the operation of a railroad, diminish the future expenditure as usefully as if they were cash on hand destined to procure such supplies, and are frequently reckoned in railroad reports as an asset in diminution of floating debt. This item amounts to $3,007,886.58.

It is likewise true that the company's own bonds and stock held by the company, temporarily on hand, are capable of being converted into cash, and the proceeds applied to the reduction of the unfunded liabilities.

These stocks and bonds amount to $2,362,942.04.

We feel that we should be remiss in duty did we not express our disapproval of the course of the company's officers in allowing so large a floating debt to accumulate. The company has not only large surplus earnings, but securities of great value, as shown by the statements already set forth. We are decidedly of the opinion that these securities should have been sold in advance of the requirements of the company, rather than that the company should be exposed to the financial danger incurred by borrowing, on call and otherwise, nearly ten millions dollars. The saving of a small fraction in price or rate and interest cannot compensate for the risk involved by such a policy, although it is undoubtedly true that these securities have largely advanced in value since their respectives issues.

FEEDING LINES.

To our inquiry concerning the construction, cost, and condition of the roads owned and leased by the company we have received no answer, except as to the Union Pacific and Denver Pacific, the statistics concerning which are contained in the reports of the Commissioner of Railroads, on file in your Department, and do not need to be repeated here.

The following is a list of these properties reported by the Auditor of Railroad Accounts June 30, 1882:

	Miles.
Omaha and Republican Valley	132
Omaha, Niobrara and Black Hills	48
Saint Joseph and Western	252
Maysville and Blue Valley	38
Colorado Central	178
Summit County	30
Utah and Northern	382
Carbondale	32
Junction City and Fort Kearney	70
Solomon	57
Salina and Southwestern	36
Denver and Boulder Valley	27
Golden, Boulder and Caribou	6
Kansas Central	119
Central Branch Union Pacific and leased lines	363
Julesburg Branch	150
Saint Joseph Bridge	1
Utah Central	37
Utah Southern and extensions	242
Utah Western	37
Denver, South Park and Pacific	164
Wahsatch and Jordan Valley	31
Manhattan, Alma and Burlingame	58

This total of 2,490 miles has been considerably increased since the date of that report. It being deemed desirable to have specific information in detail concerning all these roads, which a recontrolled and practically owned by the Union Pacific Railway

Company, in order to form a reasonable idea of the prospect of revenue from each, and to pass an intelligent judgment upon the policy of building branch roads as feeders to the main line, the company's officers were requested to furnish us such detailed statement, which is hereto appended. Upon the merely superficial view of the working of the system that has been permitted us, as, indeed, upon obvious general principles, we heartily approve the policy of the company in this regard, therein agreeing with the Commissioner of Railroads and all of our predecessors who have referred to the subject. The gross amount of investments in these lines is represented above, under the head of "investments." We are informed that the cash outlay was about $17,000,000.

The following is a statement of the earnings and expenses of the road and branches for the eleven months ending November 30, 1881, and for the corresponding months in 1882:

THE UNION PACIFIC RAILWAY COMPANY.

Earnings and expenses of the road and "branches" for the eleven months ending November 30, 1881.

	Earnings.	Expenses.	Surplus earnings or deficiencies.	Monthly average miles of road operated.
Union Division	$15,845,307 19	$7,641,252 40	$8,204,054 79	1,042.4
Kansas Division, Main Line	5,883,218 28	3,428,392 09	2,454,826 19	638.5
Kansas Division, Leavenworth Branch	76,486 88	77,563 23	*1,076 35	34
Kansas Division, Cheyenne Branch	548,142 57	310,304 60	237,837 97	106
Total Union Pacific Railway	22,353,154 92	11,457,512 32	10,895,642 60	1,820.9
Omaha and Republican Valley	170,945 78	201,066 50	*30,120 72	132.6
Omaha, Niobrara and Black Hills	48,316 65	99,355 04	*51,038 39	83.1
Saint Joseph and Western	701,394 78	675,136 31	26,258 47	251.7
Maryaville and Blue Valley	19,531 38	51,214 82	*31,683 44	37.6
Echo and Park City	79,884 72	50,019 53	29,865 19	31.2
Utah and Northern	1,223,571 21	663,000 00	560,571 21	366.8
Colorado Central	1,108,251 90	575,931 72	532,320 18	192
Denver, South Park and Pacific	1,353,026 75	1,020,070 49	332,956 26	211.1
Lawrence and Southwestern	32,092 91	41,762 57	*9,669 66	31
Junction City and Fort Kearney	93,365 15	70,238 52	23,126 63	55.1
Solomon	59,649 76	47,812 56	11,837 20	57.3
Salina and Southwestern	35,877 27	33,031 32	2,845 95	36
Denver and Boulder Valley	73,123 29	69,016 43	4,106 86	27.8
Golden, Boulder and Caribou	22,488 40	13,052 66	9,435 74	6
Kansas Central	135,219 98	200,505 16	*65,285 18	118.6
Total Union Pacific Railway and branches	27,509,894 85	15,268,665 95	12,241,228 90	3,458.8

*Deficiency.

Earnings and expenses of the road and branches for the eleven months ending November 30, 1882.

	Earnings.	Expenses.	Surplus earnings or deficiencies.	Monthly average miles of road operated.	Increase or decrease in surplus earnings.	Increase in miles operated.
Union Division	$15,709,964 22	$6,772,177 49	$8,937,786 73	1,042.4	$733,731 94	....
Kansas Division, Main Line	4,701,954 91	2,777,571 02	1,924,383 89	638.5	*530,442 30	....
Kansas Division, Leavenworth Branch	84,525 21	66,473 19	18,052 02	34	19,128 37	....
Kansas Division Cheyenne Branch	460,060 10	320,484 05	139,576 05	106	*98,261 92	....
Total Union Pacific Railway	20,956,504 44	9,936,705 75	11,019,798 69	1,820.9	124,156 09	....
Omaha and Republican Valley	287,087 52	236,193 15	50,894 37	139.9	81,015 09	7.3
Omaha, Niobrara and Black Hills	127,510 85	74,779 17	52,731 68	84.1	103,770 07	1
Saint Joseph and Western	729,602 87	715,323 32	14,279 55	251.7	*11,978 92	....
Marysville and Blue Valley	23,544 61	38,844 35	†15,299 74	37.6	16,383 70	....
Echo and Park City	90,640 53	56,012 78	34,627 75	32	4,762 56	.8
Utah and Northern	2,050,885 85	1,164,087 37	886,798 48	421.4	326,227 27	54.6
Colorado Central	1,601,971 55	912,376 46	689,595 09	329.1	157,274 91	137.1
Denver, South Park and Pacific	1,413,912 32	1,063,991 37	349,920 95	257.4	16,964 69	46.3
Lawrence and Southwestern	19,867 56	37,890 97	†18,023 41	31	*8,413 75	....
Junction City and Fort Kearney	75,978 25	73,852 88	2,125 37	55.1	*24,001 26	....
Solomon	61,481 13	46,075 55	15,405 58	57.3	3,568 38	....
Salina and Southwestern	52,497 27	33,746 29	18,750 98	36	15,905 03	....
Denver and Boulder Valley	61,574 38	82,103 47	†20,529 09	27.8	*24,635 95	....
Golden, Boulder and Caribou	25,189 29	11,225 95	13,963 34	6	4,527 60	....
Kansas Central	145,926 49	146,318 72	†392 23	163.3	64,892 95	44.7
Oregon Short Line	23,827 50	45,521 73	†21,694 23	74.1	*21,694 23	74.1
Salt Lake and Western	48,628 16	12,273 40	36,354 76	29	36,354 76	29
Greely, Salt Lake and Pacific	8,291 40	9,405 61	1,114 21	9.6	*1,114 21	9.6
Total Union Pacific Railway and Branches	27,804,921 97	14,696,728 29	13,108,193 68	3,863.3	866,964 78	404.5

* Decrease. † Deficiency.

BOND ISSUES.

Under the act of Congress approved February 24, 1871, an issue of bonds to the amount of $2,500,000 was made for the construction of the bridge at Omaha.

In September, 1873, under the act of Congress approved March 3, 1873, an issue of bonds amounting to $16,000,000 was made for the purpose of funding and securing debt then existing, known as the sinking-fund mortgage of the company. Concerning the legality of those issues no question has ever been raised so far as we know.

Under date of July 1, 1879, the company made an indenture with the Union Trust Company of New York as trustee for the issue of what are known as "collateral trust bonds." They were to run twenty-nine years from that date, drawing 6 per cent. interest, payable semi-annually, and were secured by 7 per cent. first-mortgage bonds of the Colorado Central Railroad Company, Omaha and Republican Valley Railroad Company, and the Utah Northern Railway Company.

In conformity with the terms of the trust, $5,270,000 in amount of these bonds have been sold and their proceeds substantially applied, as we are informed, to the construction and extension of branch roads or "feeders."

Of these bonds $352,000 have been redeemed, leaving $4,918,000 outstanding.

The issue of these bonds was made under the advice of eminent counsel, who held that it was clearly within the legal powers of the company.

The Government directors in their report of the transaction raised no question as to their validity, nor has it been disputed since by the Commissioner of Railroads or any other officer of the Government.

Since the consolidation the Union Pacific Railway Company has issued no bonds. A bond similar to the collateral trust bond of 1879 was at one time contemplated, and, as hereinbefore stated, was ready to be issued, as we learned through unofficial sources, but upon questions being raised as to its legality, for that and other reasons its issue was suspended.

During the pendency of proceedings contesting the legality of the proposed issue the Government directors were in receipt of a number of communications embodying a variety of interrogatories concerning the policy, past and present, of the management, and the authority under which bonds had been issued and certain other acts done. It seemed clear to us that though we might, very properly, in our official capacity, call upon the company's officers for the information sought upon these questions, it was equally clear that in the confidential relation held by us to the company as representatives of the Government's interest it was neither our duty nor our right to permit ourselves to be used as a means of obtaining information which the executive officers of the road might deem it impolitic to communicate to the public. We did not consider that the question could with any propriety be addressed to us, but that they should have been addressed either to the Interior Department or the proper officers of the company. This substantially was our answer.

For the information of the Department, we transmit herewith copies of correspondence on this subject.

MILEAGE ALLOWANCES.

Under the construction put upon the Thurman act, so called, by the company's officers, the 25 per cent. of earnings required to be applied on the debt of the Union Pacific Railroad Company is derived from the main line only from Council Bluffs to Ogden, and not from the whole system. This being the case, we deemed it important to know definitely what constructive mileage allowances were made to the branch roads of the system, and made inquiry accordingly.

We are informed that the allowances are as follows:

Omaha and Republican Valley Railroad is allowed 1⅓ miles for mile.
Omaha, Niobrara and Black Hills is allowed 1⅓ miles for mile.
Saint Joseph and Western is allowed 1⅓ miles for mile.
Echo and Park City is allowed 2 miles for mile.
Greeley, Salt Lake and Pacific is allowed 2 miles for mile.
Julesburg Branch Colorado Central is allowed 1¼ miles for mile.
Colorado Central, standard guage, is allowed 1¼ miles for mile.
Utah and Northern Railway is allowed 1¾ miles for mile.
Ogden Short Line Railway is allowed 1¾ miles for mile.

We do not find these allowances excessive or unusual, but believe them to be just and equitable, and based upon the value of the business brought to the main line by the connecting roads.

Complaint is made by the company's officers that the Government, against the decision of the courts, applies not only the earnings of the main line for Government service, but the earnings for Government service of the whole system, branch and feeding lines included, to the payment of the Government debt.

FREIGHT AND PASSENGER RATES.

(On main line only.)

The average rates charged for passengers and freight are shown by the following table:

Passengers.	1880.	1881 and 1882.
Through	4 cents per mile.	3 cents per mile.
Way	4½ cents per mile.	3½ cents per mile.

Freight per ton per mile	1880.	1881.	1882.
Local, including coal	$0 02.18	$0 02.35	$0 02.27
Local, excluding coal	02.31	02.76	02.75
Through, Omaha to Ogden	....	02.53	02.34
Pacific coast	01.49	01.26	01.24
Average, including coal	01.89	01.98	01.95
Average, excluding coal	01.96	02.09	02.9

These rates seem not unreasonable. It is to be expected, however, that with the opening of new lines and increase of competition they will be materially changed.

FAST TRAINS.

The opening of competing through lines on either side makes it necessary, in our opinion, for the company to take some steps to maintain the advantage it now has in its passenger business. To this end we believe the running time of the through trains should be materially shortened, which can well be done with but little inconvenience and a small increase of running expenses, so that the time from Omaha to San Francisco may be reduced by from twenty-four to thirty-six hours. We believe the increased expense will be more than compensated for by the increase in the number of passengers and in the income from that source. We understand that the managers have this matter under consideration.

THE PULLMAN-CAR CONTRACT.

In their report for 1877 the Government directors, after commending the policy of the company in doing its own express business, instead of farming it out to express companies, went on to say:

"It would have been well for the company had it pursued the same course with the sleeping-cars on the road that it did with the express department, but instead of doing so it contracted this interest away at a very early day in its history. The Pullman sleepers were put upon the road under said contract. The terms of the contract were most favorable to Mr. Pullman. He furnishes the car conductors and porters. The railroad company keeps the cars in repair.

"The total amount expended by the company for repairs under the contract from the time the cars were placed on the road to the present time is $444,595.21. It would have been far better for the company had it placed its own sleepers on the road and run the same to its own profit. The present management is anxious to be rid of said contract, and certainly will not renew it, as it is now plain to be seen what a grave mistake was made by entering into it at all. The contract will expire October 1, 1882."

The reasons for not renewing the contract hold good. We are informed that there has been no renewal, but that the matter remains open for future action.

DIVIDENDS.

On the 5th of December, 1882, Mr. Haven, the Government director appointed upon the executive committee, having seen a published notice of the declaration of a dividend of 1¾ per cent. upon the stock of the company, wrote to the secretary, making inquiry concerning the authority by which it was declared, he not having received notice of any stated or special meeting of the executive committee.

In reply, Secretary McFarland said:

"It was our custom, under the former board of Government directors, not to summon absent members of the executive committee, but to send to the Government director serving on the committee an occasional abstract of its doings. Of necessity most of the meetings of the committee are held on brief notice and are devoted to business of a routine character. It is often very difficult to fix a day when a quorum can attend. If it is your wish, I will cause you to be notified of all future meetings of the committee."

It hardly needs to be pointed out that the practice above described of habitually ignoring one of the members of the executive committee when meetings of that committeee are called to pass upon so important a proceeding as the declaration of dividends is exceedingly lax and open to serious complaint.

It being thought necessary to set forth the circumstances of this transaction in our report, the Government director on the executive committee was inquired of during the preparation hereof concerning the facts.

The inquiry forwarded by Mr. Haven to Artemas H. Holmes, of the company's counsel, was by him transmitted to the assistant treasurer, from whom it elicited the following communication, which came to us indorsed by Mr. Holmes:

NEW YORK, *January* 26, 1883.

DEAR SIR: Your favor of this date is at hand and contents noted. The query of Mr. Bromley is a very small one, and only relates to the declaration of the last dividend. Mr. Haven seems to have enlarged very much upon it. The dividends are payable on the first days of January, April, July, and October, and are declared about thirty days prior to those dates. The last dividend was declared on November 29, 1882. They have always been made by the executive committee, and I think the Government director has not always been present, not deeming it necessary.

The previous Government directors gave very little attention to the meetings.

The surplus earnings of the Union Pacific Railway Company for 1881 were over $2,000,000, and our increased surplus for eleven months of 1882 were over $800,000.

As we had a surplus for 1881 of $2,000,000 over and above all our interest charges and dividends, with this increase we shall certainly have more than enough to pay our dividends, and there is no question but that they have been earned.

Truly yours,

JAS. M. HAM,
Assistant Treasurer.

ARTEMAS A. HOLMES, Esq.

When Mr. Ham, in the above communication, remarks that the "previous Government directors gave very little attention to the meetings," we were not entirely clear as to whether he means to convey the intimation that they neglected their duty or that we were exceeding ours.

However that may be, we are quite firmly settled in the belief that the provision in the company's charter requiring the appointment of one of our number upon the executive committee will bear no other construction than that it is his duty to act on the committee. If that provision has any meaning at all, we must consider the inquiries we made in reference to the matter in question as not only not impertinent, but necessary and proper and quite within the scope of our official duties.

TELEGRAPH LINES.

The telegraph lines along the road are owned by the company, in accordance with the provisions of the charter, but are operated by the Western Union Telegraph Company, under a contract which grants precedence to the Government over all other business, and guarantees to the company the exclusive use of one wire at all times and of two when required.

PACIFIC MAIL CONTRACT.

The company, in connection with others, has a contract with the Pacific Mail Steamship Company, by which the latter is guaranteed a minimum of freight and passenger traffic, the object being to maintain fair and equitable rates on freight and passengers and to avoid ruinous competition. The contract is terminable at the pleasure of the company.

CONDITION OF ROAD, ETC.

In consequence of the delay in the organization of the board, already referred to, there has been no official inspection of the road except by Messrs. Bromley and Parrish, who went over the road in December, 1882. It is hardly to be expected that a critical or searching examination of the road and its equipment and appointments could be made in the limited time allowed, even by a mechanical expert, much less by persons comparatively inexperienced in the details of railroad management. We are aware, moreover, that the duties of the Commissioner of Railroads include in a large measure those which formerly devolved upon the Government directors, and especially the duty of mechanical inspection. For detailed statistics and facts concerning the management of the road and its system of feeders, condition of road-bed, rails, bridges, depots, equipments, &c., you are referred to the very full report of that officer on file in the Department.

We may add thereto in a general way, from the report of Messrs. Bromley and Parrish, as well as from that of Mr. Hoyt, who speaks with definite knowledge, he having passed over the whole line of road a few months prior to his appointment as Government director, that the road will compare favorably in all respects with any other railroad line or system in the country. It has now a solid, well-ballasted road-bed, with all-steel rails throughout the entire length of the main line. The grades and curves are being reduced to a minimum as rapidly as possible; the stations are well ordered and in good condition, the equipment well kept up, and the whole management prudent and economical, at the same time that it is enterprising and progressive. Of the fidelity and zeal of the officers, each one of whom seems to have a personal pride in its successful and prosperous operation, too much cannot be said, nor can we omit in this place a personal reference to its chief executive officer and the great service he has rendered the company and the Government. A believer in the success of the road from the outset, and one of its founders, he has steadily maintained his faith in it, invested his capital in it, and for seventeen years given it almost his entire time and the best of his abilities. For only two of those years has he received any compensation for his services. If we have ever differed with him concerning any detail of policy or management, we have never doubted his sincerity of purpose or his earnest devotion to the best interests of the road.

We are under special obligations to Messrs. Dillon and Holmes, of counsel for the company, to whose thorough knowledge of the company's affairs, and their apparent willingness to communicate their knowledge, we are chiefly indebted for such facts and statistics as are contained in this report.

CONCLUSION.

In conclusion, we have to say that with the continuance of the present management, which we have not hesitated to criticise in those particulars wherein we deemed it deserved criticism, we believe the road has before it a career so prosperous and successful as to leave no doubt whatever of its ability to eventually pay in full all its obligations to the Government.

Whatever other routes to the Pacific coast may be opened, this must remain the most direct line. It is and must continue to be the great central route, with obvious advantages over any other lying north or south of it. Its system of feeders by which it has developed, and is continually developing, the resources of the wide extent of productive territory through which it passes, brings to it each year a legitimate increase of business that of itself is sufficient to put it beyond the power of competing through lines to do it serious injury. Even if it had not great and positive advantages over any possible competitor for through traffic, the natural growth of local business through the rapid increase of population in the States and Territories tapped by its collateral branches would be sufficient to insure its profitable operation with handsome returns on the capital represented.

Very respectfully,

G. G. HAVEN.
ISAAC H. BROMLEY.
W. PARRISH.
COLGATE HOYT.

FEBRUARY 19, 1883.

We append herewith a copy of the letter addressed to Mr. Haven by Mr. Arnold Leo, and by him transmitted to the officers of the company with the reply of the company's counsel thereto:

[Office of Arnold Leo & Co., 52 Exchange Place, P. O. Box 2581.]

NEW YORK, *January* 18, 1882.

DEAR SIR: As a stock and bond holder of the Union Pacific Railroad Company, I should like to inquire why—

1. The company refuses to pay interest on certain Denver Pacific first-mortgage bonds and Kansas Pacific income bonds, and yet has money and authority to pay dividends on that portion of Union Pacific stock issued in exchange for Kansas Pacific and Denver Pacific stock?
2. Under what authority the company attempts to issue collateral trust bonds or guarantee the interest directly or by traffic agreement on $10,000,000 Oregon short-line bonds?
3. Under what authority the company pays interest on the bonds of connecting lines, which do not earn their own interest?
4. Under what authority the company loans its credit or invests its earnings in connecting roads owned by other corporations?
5. By what authority they allow the Central Branch road to be operated by the Missouri Pacific road?
6. By what authority the company paid $250 per share for the majority of Central Branch stock when the latter company had bankrupted on its own first mortgage?
7. By what authority the Denver, South Park and Pacific Road was bought at ridiculous price for its stock in addition to assuming its debt?
8. By what authority the company bought the Nevada Central Railroad that is 400 miles beyond its own line, and in no way connected with its interest?
9. Whether the company promptly pays over to the trustee of the land-grant mortgage the proceeds of sales of lands as provided by the land-grant mortgage.
10. Whether the company did not borrow the money to pay its last dividend, and whether that is not positively prohibited by the act of Congress of March, 1873.

Very respectfully,

ARNOLD LEO.

G. G. HAVEN, Esq.,
Government Director of the Union Pacific Railway Company.

[The Union Pacific Railway Company, law department. John F. Dillon, general solicitor. Office 195 Broadway.]

NEW YORK, *February* 2, 1883.

DEAR SIR: Your letter of the 29th of January to Mr. Holmes, counsel of the Union Pacific Railway Company, inclosing copy of letter received by you, as chairman of the Government directors, from one Arnold Leo, of date January 18, has been duly received.

In answer, we beg to inform you that the records of this company show that Mr. Leo was never a stockholder in it, or in any of its constituent companies, until the 17th day of November, 1882. This company has conclusive evidence that on the 17th day of November, 1882, the said Leo presented to the company's agent for the transfer of stock the certificate of the company for one hundred shares, No. 29349, dated October 29, 1882, originally issued by the company to Work, Strong & Co., and sold by the said Work, Strong & Co. (as shown by the affidavit of William E. Strong), on the 15th day of November, 1882, for J. Raymond, by said Raymond to Forester & Germond, by them to Lounsberry & Haggan, and by them to E. L. Frank, by him to W. B. Taylor, by him to Charles F. Woerishoffer & Co., and by the last-named, on the 17th day of November, 1882, to the firm of Arnold Leo & Co., and by them surrendered to the railway company for transfer in the name of Arnold Leo, on the 17th day of November, 1882. The said firm of Arnold Leo & Co. are stock brokers and speculators in stocks in the city of New York.

The records of the company further show, and are substantiated by the affidavits of respectable men, that this purchase by Leo and the acquisition of the one hundred shares of stock by him above described was for the purpose of bringing, and he thereupon brought, a suit against this company with a view of harassing and vexing the company and depreciating the value of its securities in the market, and disturbing the confidence of the public in the company and its securities for private gain, and as part of a conspiracy and in furtherance of the above-described purpose.

The records of the company will substantiate the foregoing statement, and for these reasons the company protests that Leo and his associates should not be permitted in the prosecution of such vexatious suit, and in furtherance of such unlawful designs, to use you, as the chairman, and your associate Government directors, as a telescope to examine into the business of this company for the purpose not of learning the facts, but of discovering, if they can, any apparent or real circumstances which would serve the purpose of assisting in what is commonly known in the parlance of Wall street as a "bear raid" upon the bonds and stocks of this company.

Inasmuch as your letter of January 29 to Mr. Holmes seeks information upon the inquiries contained in the letter of Mr. Leo, as directors of the company and as representing the Government of the United States, the company is willing to furnish to you the information sought, and leaves it to your wise discretion what use you shall make of the information.

ANSWERS TO THE INQUIRIES CONTAINED IN THE LETTER OF JANUARY 18 OF ARNOLD LEO.

It has been determined by the circuit court of the United States for the southern district of New York, in a suit brought by holders of the income bonds, that their contract does not require the payment of their coupons unless net earnings as described in said mortgage applicable to the payment of coupons have been acquired, and that the payment of dividends by the consolidated company or the payment of interest upon their mortgage obligations may be made without having paid the coupons on the income bonds, and without thereby violating any of the obligations of the company. Although several litigations have been pending during the period of at least three years on the part of the holders of income bonds, it has not yet been determined, nor is it a fact, that the net earnings have been acquired as defined in the mortgage properly applicable to the payment of the coupons on these bonds.

In regard to the payment of interest on the Denver Pacific first-mortgage bonds, by reference to the articles of consolidation it will be seen that the consolidated company did not assume the obligation to pay that interest, and the whole question of the liability of the company is a judicial one, and is actually under judicial advisement.

In answer to the ninth inquiry, we have to say that the company does pay over promptly the proceeds of the sales of lands.

In answer to the tenth inquiry, we have to say that the company paid its dividends from its net earnings and not from borrowed money.

Nearly all the other questions in Mr. Leo's letter relate to matters of mere internal economy and management, or to a construction of the legal powers of the company under its charter and the laws applicable to it, and many of them are the subject-matter of his suit above referred to, in which the company will maintain and establish, as we believe, its lawful right and authority to issue its collateral trust bonds of 1879, to make traffic and running arrangements with other roads, and to invest the earnings and means in the securities of other companies.

We hold ourselves at your service to make any further explanations you may desire, and respectfully request that if you think it proper to communicate to the Secretary of the Interior the letter of Mr. Leo that you also inclose a copy of this our answer thereto.

We have the honor to be, very truly, yours,

JOHN F. DILLON,
ARTEMAS H. HOLMES,
Counsel to the Union Pacific Railway Company.

G. G. HAVEN, Esq.,
Chairman of the Government Directors
Union Pacific Railway Company.

GOVERNMENT DIRECTORS' REPORT, 1883.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES, TRANSMITTING A COMMUNICATION FROM THE SECRETARY OF THE INTERIOR, ACCOMPANYING LAST ANNUAL REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILWAY COMPANY.

[House Ex. Doc. No. 83, Forty-eighth Congress, first session.]

To the Senate and House of Representatives:

I transmit herewith, for the consideration of Congress, a communication, under date of the 2d instant, from the Secretary of the Interior, and the accompanying last annual report of the Government directors of the Union Pacific Railway Company.

CHESTER A. ARTHUR.

EXECUTIVE MANSION, *February* 6, 1884.

DEPARTMENT OF THE INTERIOR,
Washington, February 2, 1884.

SIR: I have the honor to submit herewith, for transmission to Congress, the last annual report, without date, of the Government directors of the Union Pacific Railway Company.

Very respectfully,

H. M. TELLER,
Secretary.

The PRESIDENT.

To the honorable Secretary of the Interior:

In our last annual report we had occasion to refer to certain misapprehensions existing in the minds of some of the officers of the Union Pacific Railway Company concerning the functions of the Government directors, it being their opinion that the powers and duties formerly intrusted to the Government directors had been conferred upon the Commissioner of Railroads by the law creating that office, and that the former were accordingly left without either duties or powers. These misapprehensions were speedily removed, however, and we had the satisfaction of reporting to the Department that, after some little delay growing out of them at the beginning of our official labors, we were granted all the facilities possible for the performance of our work, and were assisted therein by the cordial co-operation of the company's officers.

Having corrected the erroneous impression of the managers, that we hold a merely honorary position without duties or powers, we find ourselves confronted by a misapprehension of precisely the opposite character on the part of sundry persons claiming to have an interest in the company's affairs, as holders of its stock or bonds or as general creditors. Among these we find a disposition to enlarge our duties and magnify our powers and responsibilities. In illustration of this we may refer to a memorial addressed to the Department of the Interior on the 14th of March last, immediately after the publication of our report, a copy of which was furnished us by sundry persons representing the bondholders of the Kansas Pacific Railway Company and Denver Pacific Railway and Telegraph Company, both of which companies now form a part of the Union Pacific Railway Company under the consolidation of January 24, 1880.

The memorialists, after setting forth their complaint that the Union Pacific Railway Company, by the act of consolidation, by refusing to make a statement in full of divisional earnings and in various other ways, had wrongfully deprived them of their rights as bondholders of the companies named, and stating that, although the courts are open to them practically, the delays, annoyances, and cost attendant upon litigation constitute a denial of redress, proceed to define the duties of the Government directors, which they say are "alike to represent and protect the interests of the Government proper, but none the less to conserve the general public interest, treating the entity of the Government as but in the highest sense the whole body of the people, whether as bondholders, stockholders, passengers, shippers of freight, or those in anywise interested in the wise, proper, and honest administration of the company's affairs." It is then assumed, although credit is given us for "having made an effort to elicit some information from the Union Pacific Company as to its financial condition," and for having brought out some facts and statistics that had never before seen the light, that our "effort was far from successful," and that upon the whole we have fallen short in the discharge of our official duties, and the memoralists ask the co-operation of the Department "in at least calling upon the Government directors to extract from this unwilling and obstreperous corporation the information and recognition to which we (the memoralists) are entitled."

It is not necessary that we should follow the memorialists in their recital of the history of the corporation from the inception of the original enterprise, or that we should concern ourselves with what are called "the scandals" of its management. If the originators of the enterprise, after having conquered by their energy and persistence obstacles that seemed insuperable, were pursued with obloquy and reproach, it is not the first time that the discoverer or inventor has experienced such returns from the beneficiaries of his foresight, faith, and courage. It is quite possible, too, that in the transactions of the company prior to the consolidation of January 24, 1880, all its business methods were not carried on upon the basis of the heroic virtues. It happens, unfortunately, that very little of the world's business is. We have not, however, conceived it to be any part of our duty to investigate the antecedents of the present corporation, or question the legality and binding force of acts which have already been passed upon by the proper tribunals.

In justice to the gentlemen concerned in the present management of the company, it is only fair to say that we have observed nothing in our connection with them to warrant the charge of obstreperousness or unwillingness to communicate information. A certain degree of reticence is observed in the management of all business affairs, great and small, by those who have them in charge. In the conduct of affairs of such magnitude, involving extensive combinations and many times business relations of a delicate nature with other companies, it frequently happens that the success of important transactions may be jeopardized by premature publicity. This is wisely guarded against in most corporations by intrusting the administration to an executive committee composed of those directors who have the leisure for such duties and the capacity to discharge them, their own pecuniary interest in the enterprise being the guarantee of their good faith, and an assurance that they will act in all matters for the interest of the stockholders. This has been the practice in the Union Pacific Railway Company. The administration of its affairs has been practically conducted by an executive committee of five members of the board of directors, one of whom, under the charter, must be a Government director.

The wisdom of this arrangement does not need to be pointed out to any one at all familiar with the management of great corporations. In the present case it would not be surprising, considering the fact that one member of the executive committee is an appointee of the Government, without any personal pecuniary interest, and not having the inducement naturally created by such an interest to maintain a prudent reserve, if in affairs of considerable moment he should be to some extent ignored, and important negotiations should be begun and carried on without consultation with him and even without his knowledge. Recognizing this natural tendency on the part of a board of direction constituted like that of the Union Pacific Railway Company, and believing it to be our duty, as representatives of the Government in the direction, to acquaint ourselves with the details of the management, as far as possible, through our representative in the executive committee, we have insisted that he should have ample notice of all meetings of the committee and a full knowledge of all its transactions. Except, perhaps, in a single instance, our wishes in this regard have been fully complied with, and even in this we are not prepared to say that it was seriously attempted to withhold from our representative in the committee knowledge of the pending transaction or to consummate it without consulting him.

The instance referred to was in the proposed ratification of a contract in the nature of a tripartite alliance with the Chicago and Rock Island and Chicago, Milwaukee and Saint Paul Railroad Companies concerning through business, which will be hereafter more fully set forth. This was by far the most important transaction of the year.

The ruinous competition on through traffic to which the company has been subjected by rival roads, which practically paralleled the main line of the Union Pacific from Omaha to Ogden, cutting rates to ruinous figures between these points, while dividing under a pooling arrangement with the Iowa roads the profitable traffic between Omaha and Chicago, forced the Union Pacific to enter into an alliance, offensive and defensive, with such other roads as would practically extend its line to Chicago, and give it a fighting chance against its rivals. The negotiations leading up to such an arrangement were intrusted to General Manager Clark, whose long experience, well-known ability, and thorough familiarity with the company's affairs, as well as with the condition and prospects of the country traversed by the road, peculiarly fitted him for the task. It was not only entirely proper that this negotiation should be conducted without publicity, but it was absolutely essential to their success. The contract finally agreed on was conditioned upon the approval of the executive committee.

At the quarterly meeting of the directors in New York, on the 12th of December, 1883, at which this matter first came up, all the Government directors were present; but of the full Board there was one less than a quorum, consequently no business was done. It being understood that the contract referred to was at that time waiting the action of the executive committee, the meeting adjourned, from time time, until a quorum could be obtained and the contract acted upon by the full board instead of by the executive committee alone. Pending this the Government directors, at a full meeting on the 12th of December, took action on the subject, and the secretary, under instructions, forwarded to the secretary of the general Board, Mr. H. McFarland, the following:

At a meeting of the Government directors of the Union Pacific Railway Company held at the company's office in New York, December 12, it was unanimously

Voted, That we protest against the ratification of the proposed contract with the Rock Island and Saint Paul roads until it has been submitted to, and approved by, the Board of Directors of the Union Pacific Railway Company.

ISAAC H. BROMLEY,
Secretary.

This action was deemed necessary at the time on account of rumors in circulation concerning the character of the contract which seemed to us to make it of the highest importance that it should be submitted to the full Board of Directors instead of being ratified by the executive committee alone. The result was that at a meeting of the Board reached by successive adjournments on December 20, every member being present except Vice-President Atkins, the contract was submitted and approved by a unanimous vote.

In the conduct of this transaction there is no reason to believe that the executive committee had any intention of usurping the functions of the full Board. By vote of the Board the committee are clothed with full power and authority to perform this and similar acts, and they were only following established precedents. The proceeding seemed to us, however, to be of such importance as to require greater deliberation and more formal action, and the steps above described were accordingly taken.

In no other case has there appeared any disposition on the part of the executive committee to conceal anything from us, or withhold any information concerning their transactions or the condition and prospects of the road.

Our representative in the executive committee has had reasonable notice of all meetings of the committee, and has attended those at which any business other than of a routine character has been transacted.

At the meeting of November 24, at which the January dividend was declared, in order to satisfy himself that the dividend had been earned and that the rumors circulated by interested parties touching the company's financial condition were without foundation, he asked and received a detailed statement of the earnings and estimated income for the remainder of the quarter from the books of the company, which showed a surplus of $542,585.51 over the dividend.

We believe that herein we have faithfully discharged our duty to the Government and the company, and fulfilled our functions under the charter and the laws. While we assent, in general terms, to the averment of the memorialists above referred to, that our duty is "to conserve the general public interest, treating the entity of the Government as but in the highest sense the whole body of the people," we do not by any means accept their implied construction that it is part of our duty to supervise minute details of administration, arbitrate between the company's officers and agents and the public who are their customers, or use our official position in aid of individuals or corporations who have grievances against the management, or are engaged in controversies for the proper settlement of which the legal tribunals are open.

THE "TRIPARTITE ALLIANCE."

The situation which gave rise to the alliance of the three roads named in the tripartite agreement may be stated in a few words. The extension of the Chicago, Burlington and Quincy and Northwestern roads into and through Nebraska, and the connection of one of these with the Denver and Rio Grande at Denver, thence to Ogden, where it connects with the Central Pacific, brought those roads into direct competition with the Union Pacific throughout the whole extent of its main line, and over considerable portions of its branch system to Northern Nebraska. By an arrangement known as the Iowa pooling agreement both these rival roads were enabled to draw their pro rata share of all the freight earnings arising from the connection with the Union Pacific at Council Bluffs. So that the Union Pacific was placed at the great disadvantage of having, as competitors for through traffic, roads which could well afford to cut rates to a ruinous figure between competing points, the loss on this traffic being met by the pro rata division of earnings upon the profitable Iowa business. With two competing lines pursuing this policy and constantly extending their communications to other competitive points, there was manifestly no course open to the Union Pacific except to enter into an alliance with one or more of the roads included in the Iowa pool, whereby it could have some of the advantages of that arrangement instead of allowing it to be used by its rivals for the destruction of its own business.

The way to such an arrangement seemed open through an alliance upon terms mutually advantageous with the Rock Island and Saint Paul roads, and this was accordingly sought.

The original contract, dated the 5th of December, 1883, was made between the Union Pacific Railway Company, of one part, and the Rock Island and Milwaukee and Saint Paul companies, of the other part. A supplemental contract extends the privileges of the same to other companies similarly situated who will make a similar traffic contract. The contract is very voluminous, being full of details to carry out its provisions. Its material provisions may be condensed and outlined as follows:

It recites their several systems of railways, and that they desire to establish and maintain a closer alliance than has heretofore existed, whereby there may be secured to each the friendly co-operation of all the others in all reasonable and lawful ways, in developing and protecting traffic over the through lines composing a portion of the railways of the parties, and reducing the expenses attending such development and protection and the management and operation of their several lines. It provides for the establishment and operation, for the purpose of transportation of freight, of through lines, which shall connect, when the same can be done by reasonable direct line through Council Bluffs, all points on the system of the Union Pacific with all points on the system of the other parties, with a few exceptions. The parties reciprocally covenant that they will, as far as they lawfully can, deliver to the railways of each other at Council Bluffs all through traffic received for transportation to any points on the lines of the respective parties which can be reached with reasonable directness over any through lines composed of the railroads of the parties to the agreement passing through Council Bluffs. Each party covenants with the other to maintain its railway in good condition; that through traffic shall be way-billed through; that each shall control the movement of its own trains, and the time schedules shall be adjusted to make close connections. Each party has the right to fix its own rates as before the contract was made, but if a cut-rate is made, which is defined by the agreement to be a rate lower than the prevailing or published rate, for the purpose of diverting and controlling traffic, then either party to the said agreement may make an immediate reduction of the rates charged by the through line established by the agreement, to meet the cut-rate of the other party. On through rates for certain described east-bound traffic from or to Chicago points the Union Pacific gets 40 per cent., and the other parties 60 per cent.; to Mississippi River points the Union Pacific 47 per cent., and the other parties 53 per cent. For certain described traffic it is provided the rates shall be prorated between the parties upon the basis of the mileage over which such traffic shall be transported, counting every actual mile of the Union Pacific as one and a half, with certain exceptions, and every mile of the other roads as one mile. The contract provides machinery for rendering and keeping accounts, such as are usual in traffic contracts, and provides for the adjustment of disputes by arbitration.

The contract, as already stated, came up before the full board at the meeting of December 20. Its provisions were read and explained, and its ratification met with no opposition from any quarter. The Government directors, having inquired into the legality of its provisions, received the following letter from the general solicitor of the company, the Hon. John F. Dillon:

New York, *December* 19, 1883.

Dear Sir: In answer to your inquiry on behalf of the Government directors of the Union Pacific Railway Company, I have to state that I have examined the agreements of the Union Pacific and Rock Island and Saint Paul companies, dated December 5, 1883, and I see nothing therein which violates the charter of the company, and that as the counsel for the company I advised its officers and directors, if they deemed the contracts advantageous to the company (as they did), to enter into the protective and defensive traffic arrangements therein contemplated.

I am, very truly, yours,

JOHN F. DILLON,
General Solicitor of the Union Pacific Railway Company.

George G. Haven, Esq., *New York.*

Subsequently, by a unanimous vote of the directors, the general manager was instructed to take all proper measures to induce the other roads converging at Council Bluffs, to wit, the Northwestern, the Chicago, Burlington and Quincy, the Wabash, Saint Louis and Pacific, the Sioux City and Pacific, and the ——— ———, to come into the arrangement upon the same or similar terms.

At the date of the submission of the report it is not known what action these roads will finally decide upon, but it seems obvious that a union of all the roads interested upon some such basis as the one proposed would be much more advantageous to all, and to the general welfare, than a continuance of the ruinous competition. A railroad war, in which rates are cut below the point where freight can be carried at a profit, is destructive to the business interests of the community no less than to the corporations immediately concerned. Merchants and others engaged in trade at points on the Union Pacific and beyond, where the effects of this kind of competition have been felt, have already begun to see that frequent changes in freight rates, even where they result in bringing charges down to unprofitabbly low figures, are in the end disastrous to the stability and permanence of existing industries and business interests, by disturbing values and leading to overstocking the market.

Steady and fixed rates, even though they are high, are much more conducive to a healthy and prosperous business condition than the unsettled and fluctuating rates, however low, which are brought about by the competition of rival roads. It is confidently hoped that the contract above referred to will be accepted as the basis of a permanent arrangement between all the roads concerned, and that under it the roads will do a profitable business, while the communities along their lines will derive permanent benefit therefrom.

FUNDED DEBT.

The following is a statement of the funded debt of the company, after deducting bonds held in trust and bonds in the sinking fund June 30, 1882, and June 30, 1883, as given us by the officers of the company:

Bonds.	June 30, 1882.	June 30, 1883.	Decrease.	Increase.
First mortgage, Union Division	$27,229,000 00	$27,229,000 00		
Land grant, Union Division	5,257,000 00	4,623,000 00	$634,000 00	
Sinking fund, Union Division	13,861,000 00	13,861,000 00		
Collateral trust, Union Division	4,983,000 00	4,852,000 00	131,000 00	
Omaha Bridge	1,888,000 00	1,805,000 00	83,000 00	
Consolidated, Kansas Division	15,450,005 00	15,640,005 00		$190,000 00
Eastern Division, Kansas Division	2,240,000 00	2,240,000 00		
Middle Division, Kansas Division	4,063,000 00	4,063,000 00		
Denver Extension, Kansas Division	6,256,000 00	6,125,000 00	131,000 00	
Leavenworth Branch, Kansas Division	67,000 00	67,000 00		
First land grant, Kansas Division	52,500 00		52,500 00	
Second land grant, Kansas Division	1,000 00		1,000 00	
Income, Kansas Division	76,050 00	76,050 00		
Income, subordinated, Kansas Division	959,900 00	806,350 00	153,550 00	
Coupon certificates, Kansas Division	59,598 75	13,575 00	46,023 75	
Cheyenne Branch bonds	65,000 00	47,000 00	18,000 00	
Trust 5 per cent		2,500,000 00		2,500 000 00
Total	82,508,053 75	83,947,980 00	1,250,073 75	2,690,000 00
Net increase				1,439,926 25

INVESTMENT AND INCOME THEREFROM.

The following statement shows the investment accounts and the income derived from the same:

	Bonds at par.	Stocks at par.
Amount of bonds and stocks held as investments, not applied in statement of floating debt, June 30, 1883	$14,978,930 40	$31,080,250 00
Securities held by the trustees under the Kansas Pacific Railway Company (consolidated mortgage)	3,156,000 00	1,875,300 00
Securities held by the trustees under the Union Pacific Railroad 6 per cent. trust	6,065,000 00	
Securities held by the trustees under the Union Pacific Railway 5 per cent. trust	2,778,000 00	
Total	26,977,930 40	32,955,550 00

From these investments, amounting at their face value to $59,933,480.40, the company derived an income during the year of	$2,171,962 85
And from other investment accounts, such as coupons collected from company bonds owned by the company, company sinking funds in hands of trustees, &c., there was received	109,793 50
Making a total of	2,281,756 35

FLOATING DEBT.

In our last report attention was called to certain apparent discrepancies between the statement of the floating debt in the report of the Commissioners of Railroads and that made by the company's officers. These arose, as was pointed out, "partly from differences of opinion as to what properly constitutes an offset to a floating debt, and partly from differences in bookkeeping and in the method of tabulation." Without entering again into the discussion of the question as to what are proper offsets, concerning which the same differences of opinion continue, we have thought best to present in the following table the floating debt statement in both forms. The floating debt, under the company's view, it will be seen, has been reduced to $4,524,097.15, while the offsets, under the same view, have diminished only $903,969.35, a net reduction of $3,620,227.80. This large reduction has been effected by pursuing the policy recommended in our last report.

Floating debt, under the United States Railroad Commissioners' view, and under the company's view, June 30, 1882, and June 30, 1883.

Items.	June 30, 1882.	June 30, 1883.
Bills payable	$3,879,707 61	$6,399,000 00
Pay rolls and voucher	2,239,866 99	2,136,862 10
Accounts payable	4,635,317 27	663,386 58
Totals under the Commissioners' view	10,754,891 87	6,199,248 68
Under the company's view there should be added:		
Interest on first-mortgage bonds, including July 1 coupons	1,229,385 00	1,229,364 99
Interest on other funded debt, including July 1 coupons	213,039 90	239,348 32
Dividends unpaid, including July 1 dividend	1,123,371 14	1,137,528 77
Called bonds not presented for payment	47,000 00	39,000 00
Making the gross unpaid debt	13,368,587 91	8,844,490 76
Against which the resources of the company, excluding investment accounts and bonds and stocks of other companies, applicable thereto, were as follows:		
Cash	1,570,029 16	1,714,202 06
Accounts receivable	2,278,404 95	2,818,826 57
Company stocks and bonds owned by the company	2,250,940 02	2,149,865 83
Sinking fund in hands of trustees	47,000 00	39,000 00
Bills receivable	67,564 50	98,832 50
Due from other companies on ac't of traffic, balances	415,531 03	148,056 80
Fuel, material, and stores on hand	3,963,345 92	2,720,162 47
Total resources, as stated	10,592,815 58	9,688,946 23
Floating, or unfunded debt	2,775,772 33	
Excess of resources over floating debt		844,455 47
Reduction of floating debt within the year		3,620,227 80

STOCK AND BONDS OWNED.

The following is the statement in detail of the stocks and bonds owned by the company referred to under the head of "Floating debt," as having been deducted from that debt with other offsets:

Statement of company stock and bonds owned by the company, the amount of which has been deducted from the floating debt, June 30, 1883.

	Par.	Amount.
Kansas Division:		
Consolidated bonds	$1,872,000 00	$1,871,950 00
Subordinated income bonds	88,600 00	91,911 53
Not subordinated income bonds	27,700 00	26,849 00
Omaha Bridge bonds	5,000 00	5,161 35
Kansas Division coupon certificates	135 00	135 20
Denver Extension bonds	37,030 00	38,701 25
Union Pacific Railway and constituent companies' stocks	160,150 00	114,157 50
Total		2,149,865 83

FEEDING LINES.

The policy of strengthening the road by extending aid, by all legal means, to branch roads which should be operating as feeding lines constituting with the main line a single system, has never been seriously disputed, although the opponents of the road and persons interested in rival enterprises have made it cause for adverse criticism and attempted, in one or two instances, to obstruct the operations of the company by raising questions as to the legality of such a course and the validity of the acts done in pursuance of it. It is not denied by the company's officers that some of these feeding lines under their control have been run at apparently a small temporary loss. But they insist that in the real gain to the road from developing new territory, sale of lands, increase of business, &c., as well as in the certainty that the most unpromising of them will, in a very short time, be sources of profit, is greater than the present temporary loss, which is only apparent. A comparison of the earnings and expenses of those lines in the years ending June 30, 1882, and June 30, 1883, shows a very decided improvement in the business of those roads. A very marked case is that of the Omaha, Niobrara and Black Hills road, which in 1882 was operated at a loss of $6,525.36, but for 1883 showed a profit of $102,883.62.

The other three roads which were operated at a small loss in 1882, showed in 1883 very decided gains in earnings, and there is no reason to doubt that in a very short time they too will be not only self-supporting, but a source of profit.

If anything further were needed to vindicate the wisdom of the policy of constructing feeding lines, it is shown by the fact that while the earnings of the main line have fallen off during the past year from a variety of causes, but chiefly because of the opening of rival routes and the competition in rates, the deficiency has been almost made good by the increase in earnings of the branch roads of the system.

This increase is gradual, but constant and healthy, and is of the utmost promise for the future. Without the feeding roads the main line, now practically paralleled for its entire length from Omaha to Denver and Ogden, would have seriously suffered from the ruinous competition to which it has been subjected. We continue of the opinion expressed in our last report, that the construction and operation of the feeding lines have been of incalculable value to the road in rendering it in some measure independent of competing routes for through business.

Since our last report there has been a considerable extension of the Oregon Short Line. This road leaves the main line at Granger, and is intended to connect with a road now in process of construction from Portland, Oreg., eastward by the Oregon Railway and Navigation Company. With this company a contract exists for building their road to the point of connection with the Short Line, and there is also a satisfactory traffic contract for the period of fifteen years. The Oregon Short Line has been completed and the track laid for a distance of a little over 500 miles, with 51 miles of branch line. There remain about 25 miles to be built, all of which has been graded, and the iron for its completion is already on the ground. A few weeks' labor will finish the road as far as the company has agreed to build.

The western end of the line, or portion belonging to the Oregon Railway and Navigation Company, has been delayed from one cause and another, and will not be finished as soon as the Oregon Short Line on account of very heavy work and intense cold weather.

The road will not therefore be open for through business until spring or early summer, when through trains will be run from Omaha to Portland.

It having been intimated that these delays were intentional on the part of the Oregon Railway and Navigation Company, President Dillon addressed a communication to Mr. Villard, then president of the company, making inquiries concerning it. To this communication the following answer was returned:

NEW YORK, *December* 21, 1883.

DEAR SIR: In reply to your inquiries I beg to state that this company is pushing the work on the Boise Branch, which will connect our main line with your system at the Snake River, with all possible dispatch and vigor. We have already completed 111 miles, which brings the track to the eastern slope of the Blue Mountain range, and includes the most difficult work on the line. More than 60 miles of the remainder of the line have been graded, and we are continuing the work vigorously in spite of the severity of the season. We have already expended nearly two-thirds of the cost of the entire line, and our interest, of course, requires that we make this investment productive at the earliest possible moment.

I beg further to confirm to you that the existing traffic contract, under which a direct connection with the city of Portland, Oreg., and a proper share of the Oregon and Washington Territory business is assured to you, will be strictly carried out.

Yours, truly,

H. VILLARD,
President Oregon Railway and Navigation Company.

SIDNEY DILLON, Esq., *President.*

There is no doubt in the mind of President Dillon that the arrangements referred to in the above letter will be faithfully carried out under the new management of the Oregon Railway and Navigation Company.

Questions having arisen concerning the policy of building the Oregon Short Line, it is proper to say that we are informed that the road, though incomplete, is paying from its present business the interest on its bonds, which seems to settle all questions concerning the wisdom of the enterprise.

EARNINGS AND EXPENSES.

The following table, furnished by the company's officers, shows the earnings and expenses of the main line and branches for the ten months ending October 31, 1882, and October 31, 1883:

Earnings and expenses of the road and operated lines for the ten months ending October 31, 1882.

Ten months, 1882.	Union Pacific Railway.	All other branches.	Total Union Pacific Railway and branches.
Earnings	$18,932,228 86	$6,160,776 30	$25,093,005 16
Expenses	8,816,606 84	4,189,260 31	13,005,867 15
Surplus earnings	10,115,622 02	1,971,515 99	12,087,138 01
Monthly average of miles of road operated	1,820.9	2,018.1	3,839

Earnings and expenses of the road and operated lines for the ten months ending October 31, 1883.

Ten months, 1883.	Union Pacific Railway.	All other branches.	Total Union Pacific Railway and branches.
Earnings	$17,434,906 82	$7,187,149 69	$24,622,056 51
Expenses	8,344,926 62	4,885,471 95	13,230,398 57
Surplus earnings	9,089,980 20	2,301,677 74	11,391,657 94
Monthly average of miles of road operated	1,820.9	2,519.9	4,340.8

The earnings and expenses of the Central Branch, Union Pacific Railroad, and of the Nevada Central Railway are not included in above statement.

One of the immediate advantages gained by the improvement in the material condition of the road, of equipment, road-bed, rails, &c., will be perceived by a glance at the comparative statement of earnings and expenses of the past two years, from which it will be seen that the decrease in running expenses has been proportionately very much larger than the falling off in earnings, so that while there has been a perceptible decrease in gross earnings, the economies which have been made possible by the improved condition of the road and equipment have been such as to show an increase in the net earnings or surplus.

The decrease in gross earnings of the road for the year is due to several causes which lie near the surface, and against which it was not in human foresight to provide. In the first place, there has been less railroad building in the territory west of the Missouri River and on the line of the road during the past than in preceding years, and of course a consequent diminution of freight traffic in the carrying of materials and transportation of laborers, provisions, &c. The opening of new lines has brought competition, and one of the results of which has of course been the diversion of a portion of the business to other roads, and another and more damaging, the cutting of rates, by which the revenues were diminished.

The opening of rival lines to the Pacific coast has naturally drawn upon the passenger business of the road. When so much of the travel is by tourists and for pleasure, the curiosity to visit new sections of the country and see the new routes of travel naturally attracts passengers, and it was to be expected that the new condition of transcontinental communication would affect in greater or less degree the business of the road. But it may be said that in compensation for the diversion of freight and passengers to other roads there has been such an increase in the whole volume of through business that the shrinkage has been much smaller than the managers had been led to expect. In anticipation of the effect upon business of the opening of the competing lines, care was taken not to increase the freight equipment to the extent to which it would have otherwise been enlarged. The shrinkage has, however, been so much less than was anticipated that the freight equipment has been constantly taxed to its utmost capacity. The diminution in earnings from this source results accordingly almost exclusively from the cutting of rates.

In order to inform ourselves more fully concerning the effect of competition upon the business and income of the road we addressed specific inquiries to Secretary McFarland in September last. That officer, in response to our request, communicated upon the subject with E. P. Vining, esq., the freight traffic manager at Omaha, whose reply, which will be found very full and interesting, was as follows:

UNION PACIFIC RAILWAY COMPANY,
OFFICE OF E. P. VINING, FREIGHT TRAFFIC MANAGER,
Omaha, October 10, 1883.

DEAR SIR: Replying to your favor of the 12th ultimo, to which my absence from Omaha has prevented earlier attention, I would respectfully call attention to the following facts:

In 1877 our freight earnings from Pacific coast business were	$2,530,416 55
In 1878 they were	2,724,664 42
In 1879 they were	2,621,872 56

In 1880 the through line formed of the A., T. and S. F. and the Southern Pacific was opened for business, and as during a part of the year we had the only rail line, and during the remainder of the year were subject to rail competition, no reliable judgment could be based upon the results of the year's business, although it was a fact that our earnings from this business during the year were materially greater than they had been during any former year.

In 1881 the earnings were even larger than in 1880.

The opening up of the through line formed by the Texas and Pacific and the Southern Pacific about the 1st of January, 1882, brought another competitor into the field and reduced our earnings to about their old figure. In 1882 our earnings from the business were $2,746,473.26, which it will be seen is slightly in excess of the amount earned any year before we had rail competition.

Notwithstanding the completion of the line formed by the C. H. and S. A. and the Southern Pacific; that formed by the C., B. and Q., D. and R. G., and the Central Pacific, and the more recent competition of the Northern Pacific, we have continued to earn about as much from the Pacific coast business as we did in the years when we had no rail competitors, our earnings for the first nine months of the year 1883 (official for all but September, and estimated for that month from the face of the way-bills) being $2,020,000.

Each new line has had the tendency to build up new business. The Southern lines have, for instance, built up a large business at Los Angeles, which is now the central supply point for Southern California and much of Arizona; and yet the trade of San Francisco has increased, notwithstanding the new competition which it meets from Los Angeles.

So, too, the completion of the Northern Pacific will undoubtedly build up a largely increased business at Portland, while it is not likely that the business of San Francisco will decrease.

The numerous rail lines now competing for Pacific coast business make more serious inroads upon the former "clipper" business than it was possible for the Union Pacific to make when acting alone, and a large part of the business of the new lines is therefore taken from the clipper lines rather than from the Union Pacific.

The trade of the Pacific coast is also constantly growing, so that although we now obtain a smaller proportion of the Pacific coast business than we did in years gone by, that smaller proportion of an increased business still pays us as much money as we ever received from the business before we had rail competition.

Stated briefly it may be said that the opening up of competing lines has had the effect of depriving us of the growth in business and increase in earnings which we would have had if these lines had not been opened, but that they have not deprived us of anything that we had before such other lines were opened.

Notwithstanding the numerous lines now competing for the business, our natural advantages are such that we have steadily held much more than one-half of the total business, and we can probably continue to take more than the aggregate taken by all our competitors.

The competition with clipper lines had been such that our rates had been placed at as low figures as any rail line could well afford to make, and therefore none of the new lines have found it practicable to attempt any further reductions in rates.

Hence we have not had to suffer the reduction in average rates per ton per mile which often results from new competition.

Yours, very truly,

E. P. VINING,
Freight Traffic Manager.

HENRY MCFARLAND, Esq.,
Treasurer Union Pacific Railway Company, P. O. Box 5287, *Boston.*

DIVIDENDS.

The regular quarterly dividend of one and three-quarters per cent. has been declared from the earnings of the road and branches, and has been paid without impairment of the surplus. At the meeting of the executive committee, at which the last quarterly dividend was declared, Mr. Haven, the Government director serving on the committee, asked for a statement of earnings upon which the dividend was made. In response to his request the following estimate, based upon actual returns already in hand, was furnished:

Estimated "income" for the quarter ending with December 31, 1883.

Gross earnings	$5,766,521 71	
Operating expenses and taxes, 46.54 per cent	2,683,739 20	
Surplus earnings		$3,082,782 51
Income from investments		400,000 00
		3,482,782 51
Interest on bonds	1,300,000 00	
Less amount to be received from trustees K. P. consolidated mortgage	150,000 00	
	1,150,000 00	
Sinking fund requirements	75,000 00	
United States requirements	600,000 00	
Miscellaneous expenses, interest, premiums, &c	50,000 00	
		1,875,000 00
Balance applicable to dividends		1,607,782 51
Dividend at 1¾ per cent		1,065,197 00
Surplus over dividend for the quarter		542,585 51

The general depression in business during a portion of the time giving rise to a doubt whether the earnings of the company would come up to the estimates, it may not be amiss to add thereto the following statement of the earnings for November, the last attainable at the time of closing our report. It shows, as will be seen, a small increase over the corresponding month of the previous year:

Earnings for November.

Year.	Earnings.	Expenses.	Surplus.
1882	$2,711,916 81	$1,690,861 14	$1,021,055 67
1883	2,731,722 58	1,708,884 41	1,022,838,17
Increase	19,805 77	18,023,27	1,782 50

MILEAGE ALLOWANCES.

The construction mileage allowances to the branch roads of the system have not been changed, and are the same as set forth in our last report, to wit:

Omaha and Republican Valley Railroad is allowed 1½ miles per mile.
Omaha, Niobrara and Black Hills is allowed 1½ miles per mile.
Saint Joseph and Western is allowed 1½ miles per mile.
Echo and Park City is allowed 2 miles per mile.
Greeley, Salt Lake and Pacific is allowed 2 miles per mile.
Julesburg Branch Colorado Central is allowed 1¼ miles per mile.
Colorado Central, standard gauge, is allowed 1¼ miles per mile.
Utah Northern Railway is allowed 1¾ miles per mile.
Oregon Short Line Railway is allowed 1¾ miles per mile.

We repeat that in our judgment these allowances are not excessive or unusual, but seem to be just and equitable, and based upon the value of the business brought to the main line of the connecting roads.

The company continue their complaint that the Government, against the decision of the courts, applies not only the earnings of the main line for Government service, but the earnings for Government service of the whole system (branch and feeding lines included) to the payment of the Government debt.

FREIGHT AND PASSENGER RATES.

The following table shows the average rates charged passengers and freight per mile, from the commencement of 1881 to the close of June, 1883.

PASSENGERS.	1881 and 1882.	First six months, 1883.
	Cents.	Cents.
Through ... per mile	3	3.0632
Way ... do	3¼	3.6461
FREIGHT.		
Local, including coal ... per ton per mile	2.35	2.19 to 2.10
Local, excluding coal ... do	2.76	2.64 to 2.59
Through ... do	2.53	2.33 to 1.92
Pacific coast ... do	1.26	1.17 to 1.38
Average, including coal ... do	1.98	1.89 to 1.86
Average, excluding coal ... do	2.09	2.03 to 2.05

FAST TRAINS.

In our last report we expressed the opinion that the opening of competing through lines on each such would make it necessary for the company to shorten materially the running time of through trains, so that the time from Omaha to San Francisco might be reduced by from twenty-four to thirty-six hours.

No change was made in the rate of speed until July 1, 1883, when, in accordance with our suggestion, a new time schedule went into effect between Council Bluffs and Ogden, by which the through time was reduced about twelve hours each way and an additional train was put on, making two daily trains each way between those points. This was not met, however, by a corresponding increase in train-service or shortening of time by the Central Pacific from Ogden to San Francisco, so that the only advantage gained by the traveling public is in the twelve hours saved on the Union Pacific between Omaha and Ogden. A special advantage is gained by passengers on the emigrant trains, the emigrant cars, which were formerly attached to the freight trains and still are in the Central Pacific, being now drawn by regular passenger trains at a considerable faster rate of speed.

THE PULLMAN CAR CONTRACT.

No new contract with the Pullman Car Company has yet been definitely entered into, but we are informed that negotiations are in progress and that it is quite probable that an arrangement will be agreed upon in a short time by which the Union Pacific will be insured a much larger revenue than it has hitherto derived from this source.

DIVERSION OF BUSINESS TO OTHER ROADS.

At the annual meeting of the directors in March last, on motion of one of the Government directors, it was—

"*Resolved*, That the United States Commissioner of Railroads be requested to make investigation and report as to the effect of the construction or purchase by the Central Pacific Railroad of competing lines of through roads and diversion thereby from the main line of Central Pacific Railroad of through travel and freight, thus decreasing the receipts of both the Central Pacific and Union Pacific Railroads, and to that extent affecting the interests held by the United States Government in said roads."

The Commissioner of Railroads, in answer to the above resolution, assured us that the subject should receive proper consideration, and the facts ascertained as far as practicable with special reference to the protection of whatever interest the Government may have in the matter. We are not informed what action was taken, but the subject seems to us to be not unworthy of serious consideration as affecting the present condition of the roads and their ultimate ability to meet their obligations to the Government.

CONDITION OF LAND GRANT.

The reports of the Government directors for previous years have, as a rule, contained no reference to the land department of the company or the condition of the land grant. The operations of the department being much the same from year to year, varying only with the natural and gradual increase of sales from the planting of new enterprises and the growth or population, there has seemed to be no need of special investigation in this direction. The revenue therefrom has been constant, with an easily computed natural annual increment, and the receipts have been applied to the extinguishment of the land-grant bonds.

Deeming it a matter of sufficient interest and importance to warrant more particular inquiry concerning it, especially since it is proposed to ask further legislation looking to the more speedy disposal of lands and consequently to a more rapid development of the vast extent of unoccupied land along the line of the road, we have taken pains to obtain from the land department such information concerning the present condition and prospects of the land grants as, in our judgment, seemed necessary for a fair understanding of the subject.

The original land grant to the Union Pacific embraced, as near as may be estimated, about 11,200,000 acres. The grants to the Kansas Pacific and Denver Pacific embraced about 7,004,000 acres, making a total of 18,204,000 acres in the original land grants to the consolidated company. This was unquestionably a magnificent gift from the Government. It is more than an imperial domain. It has not infrequently been made an occasion for reproach of the projectors of this great work and their successors, that they accepted such an endowment and took from the hands of the Government this vast amount of public land as the price of their enterprise.

This may not be the place to enter into a discussion of the question whether the projectors of the road were overpaid, or whether in their bargain with the Government the advantage was with them. We cannot refrain from remarking, however, that the policy of granting lands on either side of this transcontinental railway line, and granting them too on a grand and liberal scale, has been more than justified by the history of the road and of the States and Territories traversed by it. Looked at simply in the light of the figures, considering merely the number of acres bestowed, it seems like an enormous gift. Taken in connection with the fact that it was given in aid of an enterprise from which the projectors were hopeful in the end of deriving a profit independently of the subsidy, it might seem like reckless prodigality and waste on the part of the Government. It suits the purposes of demagogues to so consider it, and the consequence has been that the interests of the company, and incidentally of the Government, have been made to suffer from a groundless clamor against the corporation and its management. But large as the land grant is, profitable as it has been to the grantees, and valuable as it continues to be as a steady source of revenue, nothing can be clearer than that it owes its chief value to the great line of communication upon which it is located, and the enterprise, intelligence, and energy of those who brought it into market and made it available for occupation. We believe it to be capable of demonstration that the General Government has already more than made good to itself the actual value of the whole grant at the time it was made, in the enhanced value of the alternate sections reserved to itself, by the opening of the road and the development of the lands that would otherwise have long remained unoccupied and waste.

In discussing the magnificence of this gift from the Government as if there were no consideration for it, and the men who obtained it had in some way gained an unfair advantage, the conditions existing at the time it was made are lost sight of, and the circumstances attending it too often forgotten. For this thing was not done in a corner. It should be remembered not only that the grant was made after protracted discussion and careful deliberation with the full knowledge of the American people, but that the condition upon which it was made, to wit, the building of the Pacific Railroad, was generally believed to be so improbable of fulfillment as practically to make it void and of no effect. The projectors of the road were at that time objects rather of sympathy as the victims of visionary speculation than of envy on account of their advantageous bargain. Outside of the great public benefit of the road as a means of communication with the Pacific coast, the Government was more than willing to pay this price for the opening up, settlement, and bringing into market of its own vast extent of unoccupied and unmarketable lands lying west of the Missouri River. The land grant, considering existing conditions and the stupendous results which must accrue from the fulfillment of the condition upon which it was made, was not prodigal or extravagant. It was a fair business transaction, in which a large price was paid for taking large risks with the prospect of very large returns. Any individual owner of extensive tracts of unoccupied and practically useless land who should transfer half the same upon similiar conditions would be considered a shrewd business man. Such an individual, if, after having profited by the transaction in the enhanced value and more rapid sales of his own share, he should complain that his grantee had also obtained large returns from a comparatively small investment, would receive little sympathy. In the case of the General Government, however, it is the fashion to assume that it has been imposed upon or cheated if those who have dealings with it seem to have reaped any unusual profit from the transaction.

From this view, in this particular case at least, we take leave to dissent. The opening of the Pacific road, which was the condition upon which this land grant was made, has been, as hardly need be pointed out, of incalculable benefit to the country. It has not merely brought the two coasts of the continent into close communication, but it has been the means of a more rapid development of the country's resources than it was possible twenty years ago for the imagination to conceive. One has but to consider for a moment the vast extent of territory opened to settlement, redeemed from waste, and devoted to pasturage or tillage, the enormous increase of agricultural products therefrom, the utilization of extensive tracts of grazing land, and the tremendous volume of traffic flowing through the arteries of trade and commerce from these so lately unoccupied places, to realize something of the benefits which have accrued to the Government from its liberal land grants. If the corporation has profited by them the country also has been an enormous gainer.

We are able to say concerning the administration of this property, that we have every reason to believe that it has been prudent and wise, having in view the best interests not only of the company, but of the Government and of the communities and people among whom the lands are located.

The original grant of the Union Pacific was as follows:

	Acres.
Acres granted in Nebraska	4,762,174
Acres granted in Wyoming	4,582,520
Acres granted in Utah	1,107,520
Acres granted in Colorado	688,900
Total acres	11,141,114

CHARACTER OF LANDS GRANTED.

General estimate, in round numbers:

	Acres.
Agricultural lands in grant	3,500,000
Grazing lands in grant	7,300,000
Coal lands	400,000
Total in round numbers	11,200,000

Of these remain unsold 8,877,892.81 acres, which may be classed as follows:

	Acres.
Agricultural	1,000,000
Grazing	7,477,892
Coal	400,000
	8,877,892

These unsold lands lie within the limits of—

	Acres.
Nebraska	2,580,000
Colorado	690,000
Wyoming	4,580,000
Utah	1,027,892.81
	8,877,892.81

The grants to the Kansas Pacific Railway Company, to the Denver Pacific Railway and Telegraph Company, embraced about 7,004,000 acres; the net sales amount to 1,767,274.42 acres; leaving unsold 5,236,725.58 acres.

These unsold lands may be classed as follows:

	Acres.
Agricultural	625,000
Grazing	4,611,725.58
	5,236,725.58

These lands are situated within the States of Kansas and Colorado.

All lands within the grant in Nebraska west for 215 miles are sold and disposed of, and United States patents taken out or applied for for all lands west of the one hundredth meridian, thus rendering the same taxable, to the benefit of the various communities in which they lie, and of the company, by increasing the value of taxable property along its line. Present sales of agricultural lands are made as far west as Keith County, 350 miles from the Missouri River, and will undoubtedly continue westward till increasing elevation, character of soil, and absence of moisture preclude successful cultivation. Even when the natural moisture supply fails, successful agricultural operations might be conducted over a large extent of country now rated as grazing and waste lands, provided artificial water supplies by artesian wells or otherwise could be furnished. The solution of this problem, through Congressional aid or otherwise, would redound to the material benefit of the sections of country where the lands lie, and of the railway company through settlement, development, and population. Meanwhile a large extent of country, representing millions of acres, comprising both railroad and Government lands, are actually valueless so far as returns therefrom are concerned. They are occupied by large bodies of cattle and the ranches and trifling improvements incident thereto, all of which occupation is of an unsettled and shifting character, and produces no definite or satisfactory result.

Included in the classification of grazing lands above are nearly 1,000,000 acres of rugged and partially forest-covered lands as yet unsurveyed, and of which survey, at present Government rates, is impracticable, together with a large body of sage brush and sandy lands, as yet of little avail for even grazing purposes, but which in part may in future be utilized for this purpose, or under the possibilities of irrigation become of some use agriculturally. These waste lands lie chiefly in Utah and Western Wyoming; the so-called grazing lands in Central and Eastern Wyoming, Northern Colorado, and Western Nebraska, and the agricultural lands in Central and Eastern Nebraska.

There have been sold and disposed of in round numbers of the whole grant about 4,000,000 of acres for the sum of about $15,500,000. The methods of sale are for cash, with a discount of 10 per cent. on five or ten years' time, in installments of one-fifth or one-tenth, with annual interest at the rate of 6 per cent. on deferred payments.

The proceeds of sales and collections are remitted directly to the trustee for the land-grant bondholders, and by him applied in cancellation of the land-grant bonds.

Of the original Union Pacific issue of $10,400,000 it is understood some $5,800,000 have been canceled. Upon the full cancellation of all land-grant bonds, and liquidation of the land-grant mortgage, the sinking fund mortgage, so called, becomes a lien upon all remaining lands. Concerning the Kansas Pacific and Denver Pacific issue we are without definite data.

The company's estimate of the character and value of the remaining lands of the Union Pacific grant may be thus stated:

Agricultural, 600,000 acres, at $3 per acre	$1,800,000
Grazing, 7,700,000 acres, at $1 per acre	7,700,000
Coal, 400,000 acres, at $20 per acre	8,000,000
Estimated value of unsold lands	17,500,000

Lands designated as agricultural are those within the limit, chiefly in Nebraska, where agriculture is deemed practicable rather than where it has as yet been fully demonstrated.

The value of grazing lands is considered with reference to some favorable action concerning Government lands intervening, rather than the prices they might bring if now offered for sale.

The coal lands are estimated at the price for which coal lands are sold by the Government, but their present and prospective value to the company far exceeds the price named. Being situated on the mountain division of the road, where there is the largest consumption of fuel, they are of the greatest advantage for locomotive supplies, at the same time that they furnish coal for the Wood River mining district, which is transported over the Oregon Short Line, and for the mining districts of Montana, which goes over the Utah Northern Road.

Land Commissioner Burnham thinks that the major portion of the agricultural lands can probably be disposed of within a year, leaving for consideration the disposition of the grazing lands heretofore described. While there is yearly an undoubted gradual westward extension of the moisture belt, and other climatic changes which must in time include within the agricultural area many of the above designated lands, their present and immediate use is only for grazing purposes, and if they are to be presently disposed of it must be with this object in view. In favor of the disposition may be urged the fact that they at present bring little or no revenue to the company, except from the transportation of cattle shipped over the road, though grazed upon and occupied by large quanties of live-stock passing over these and the Government lands alike. The present inclination of the cattle interests is toward ownership of the range inclosure by fencing of the same, and the better and closer development of stock, all of which is, if not rendered impracticable, greatly embarrassed by the existence of alternating Government sections.

In connection with this subject we are in receipt of a communication from President Dillon, from which, as giving his views, we quote as follows:

"It has been a maker of frequent discussion in the Board and elsewhere with the Government and other directors as to the necessity for legislation to enable the company and the Government advantageously to dispose of the non-agricultural lands within the limit of the land grant to the Union Pacific Railway, that is, lands familiarly termed grazing lands. It is known to everybody that a very considerable portion of the land grant is in arid regions not susceptible of cultivation, where the lands are used only for grazing purposes. Under the grant of alternate sections the result is that the Government owns one section and the company another, and we cannot sell contiguous in one tract more than one section, nor can the Government. As you are aware, many of these lands are now occupied by persons without right and without compensation to the company or the Government as cattle ranges. They will not buy unless they can get lands in considerable quantities in a solid tract, and if the present conditions continue, this state of things, to the detriment of the company and the Government, will continue to exist indefinitely. Everybody can see this, and everybody knows it. Therefore the expediency of making a division of these lands is obvious, as it would be beneficial alike to the Government, to the company, to the public, and to the States where these lands are, as they would thereby be sold and become subject to taxation and yield revenue, and would be the means of establishing permanent instead of floating communities.

"We have had repeated application, by persons owning large herds of cattle, from 1,000 to 50,000 head, for these lands; but, for the reasons above stated, we cannot sell them and are getting no benefit from them. Therefore, that these lands should be partitioned or divided is manifest. The only question is one of detail as to how it should be done. A fair division is a very simple matter. Congress could authorize the division, specifying that one commissioner be appointed by the President or the Secretary of the Interior, another by the company, and the two to select a third, with authority to divide the lands equally as to value and in large tracts, the whole to be subject to the approval of the President or the Secretary of the Interior. Or Congress could pass an act authorizing the division of all grazing lands under the direction of the circuit court of the United States, giving that court the necessary authority to effect an equal partition of the lands, with the right of either party to take an appeal from the same as in a private controversy."

Land Commissioner Burnham upon this point suggests three specific plans, either of which might be adopted, as follows:

First. An exchange by the railroad with the Government of all odd-numbered sections on one side of its road for all even-numbered sections on the other side, thus giving a solid body of lands on one side of the road 20 miles in width.

Second. Some modification by Congress of present land laws permitting the sale within certain limits and under certain conditions of considerable tracts of lands for grazing purposes.

Third. Some form of lease on long time at low rates of Government sections for grazing purposes, subject, however, to the application of the homestead, pre-emption, desert-land, and timber-culture laws, wherever the same are now applicable.

Commenting on these plans, Commissioner Burnham says:

"The first plan, if attainable, would be most desirable for the company, and would give quicker and greater value to its lands thus treated than any other. It might be applied on either side of the line, commencing at or about the 103d meridian, west of which, except to a limited extent in Utah, no lands have been sold by the company, and continuing through the grant. There is little choice for either the Government or the railroad, and any possible question might be readily settled by a commission in which each should be represented. The value of the Government lands thus treated would be enhanced rather than impaired.

"The objections to it seem to be that it would probably not be favored by Congress as being contrary to the present policy concerning public lands and railroads; also its possible effect upon bonded securities of the companies by the substitution of other properties than those originally pledged.

"The second plan would also, if once fairly established, subserve the particular interest involved, but with the first seems equally open to objections sure to be urged against it as contrary to public policy, &c.

"The third plan is, to my mind, more feasible than any other, for the reasons that it can be frankly and earnestly urged that while it practically meets every requirement of the case it has no feature objectionable to the free and full operation of existing land laws and will at once give value to and cause development of large areas now comparatively worthless."

We have thus given the views of President Dillon and of Land Commissioner Burnham on this subject, with the considerations adduced by each in support of their several propositions. Without recommending any specific plan ourselves, we do not hesitate to say that in our judgment some definite plan should be adopted whereby the interests of the Government and the company should be mutually subserved, and provision made for such a fair and equitable division of the remaining lands as shall best promote their speedy sale and utilization.

The following is the statement of sales of lands and town lots to June 30, 1883:

UNION PACIFIC RAILROAD LAND GRANT.

Net sales, 2,220,107.19 acres		$9,636,217 52
Sales of town lots		393,864 68
Interest on land and town-lot contracts		1,420,784 27
Forfeited on canceled contracts		304,545 79
Other receipts, interest, &c		88,294 53
Total		11,848,706 79
Deduct expenses paid by the trustees:		
Discounts, commissions, &c	$318,833 18	
Premium on land-grant bonds redeemed	124,313 80	
		443,146 98
Leaves the amount received by the trustees, including contracts on hand		11,405,559 81
Deduct expenses paid by the company:		
General expenses and taxes		2,132,237 96
Net proceeds Union Pacific Railroad land grant		9,373,321 85

KANSAS PACIFIC AND DENVER PACIFIC RAILWAY LAND GRANT.

Net sales, 1,767,274.42 acres for		$6,551,573 78
Sales of town lots		98,421 59
Interest on land and town-lot contracts		760,072 28
Forfeited on canceled contracts		276,134 51
Other receipts, interest, &c		11,444 69
Total		7,697,646 85
Deduct expenses:		
General expenses	$823,789 45	
Discount on sales	645,911 49	
Taxes	107,366 03	
Interest and premium on bonds redeemed	122,710 95	
		1,699,777 92
Net proceeds Kansas Pacific and Denver Pacific grants, including contracts on hand		5,997,868 93
Total net proceeds of all lands to June 30, 1883		15,271,190 78

The following comparative statement of land sales for the first five months for 1882–'83, shows the gradual increase in the number of acres sold and amounts received.

Statement of land sales.

Months.	1883.		1882.	
	Acres.	Amount.	Acres.	Amount.
January	23,072	$105,405	18,040	$87,086
February	42,620	137,902	28,145	140,677
March	64,426	282,514	25,948	130,342
April	84,320	301,415	20,204	102,897
May	112,305	413,831	37,355	176,533
Total	326,743	1,241,067	129,692	637,535

LITIGATION.

It is not to be expected that a great corporation like the Union Pacific Railway Company, having landed interests in at least six States and Territories, and trade relations through the vast traffic pouring over its lines with every State and Territory in the Union, to say nothing of its relations with other railroads, and with its own bond and stockholders, should escape litigation. Either as plaintiff or defendant it must be continually in the courts. It is consequently necessary to a correct understanding of the financial condition of the company to know something of the litigation in which it is concerned as plaintiff or defendant, and particularly concerning the more important suits involving large sums, or affecting the integrity of the franchise. It has not been the practice of the Government directors hitherto to inquire especially upon this point, or give the subject much space in their report. In view of the importance of some of the suits in pendency we deemed it proper to give the subject attention, and accordingly in August last addressed to the secretary of the company some inquiries which were answered in the following communication from Hon. John F. Dillon, the company's general agent:

NEW YORK, *September* 28, 1883.

GENTLEMEN: I am informed by the secretary of the company that in August last, when in Boston, you asked him among other things that there should be furnished to you a statement showing "what suits the Union Pacific is interested in, whether as plaintiff or defendant, and what is their character." This inquiry has been referred to me as the company's general solicitor to answer.

What is known as the Union Division of the company's road is under the immediate charge of Mr. A. J. Poppleton, the company's general attorney, with office at Omaha. What is known as the Kansas Division is under the immediate charge of Mr. J. B. Usher, the company's general attorney, with office at Lawrence, Kans. The local attorneys make immediate report of litigation to Messrs. Poppleton and Usher respectively; and the latter are required by regulation to make semi-annual reports to the undersigned, giving the title, character, amount claimed, and situation of every pending case against the company at any point on the lines covered by their respective jurisdictions. I have regularly received reports from Messrs. Poppleton and Usher, and they are in the office of the law department of the company in New York; and I will take pleasure in submitting them to you, and in giving you any information touching the suits by and against the company, as shown in these reports and otherwise.

I may state generally that these reports show a number of cases by and against the company in the various States and Territories where its roads are situate, of a character common to all roads and inseparable from the transaction of railroad business, such as actions for personal injuries, for breaches of contract, for stock killed, &c.; also, suits to restrain the collection of illegal taxes, and in relation to disputed tracts of land, the title to which is claimed by or against the company. I recollect no litigation in the West not of the character to which railroad companies generally are liable, except a litigation recently commenced in the State of Kansas to have determined the status of what is known as the Kansas Pacific as respects State authority and jurisdiction. In that litigation the power of the Kansas Pacific to consolidate with the Union Pacific and Denver Pacific companies, and thereby to render itself "amenable only to Federal control, and subject as to those rights and causes of action which may thereafter exist against it, only to the jurisdiction of Federal tribunals," is questioned.

Inasmuch, however, as by the act of the Kansas legislature, passed on the 4th day of March, 1862 (Compiled Laws of Kansas of 1862, p. 767), the legislature expressly authorized "any railway company of Kansas to unite or consolidate with any other company or companies now organized, or which may hereafter be organized *under the laws of the United States*," and afterwards asked Congress to adopt the Kansas Pacific as one of the branches of the Pacific system, which Congress accordingly did by the charter of the Union Pacific; and in that charter by the sixteenth section of the act of 1862, and also by the sixteenth section of the act of 1864, expressly provided "that any two or more of the companies authorized at any time to unite and consolidate their organizations as the same may be, or shall be, upon such terms and conditions and in such manner as they may agree upon, and shall not be incompatible with this act, or the laws of the State or States in which the road of such companies may be," the company's counsel, under the circumstances, apprehend no adverse result.

In addition to this, the company have a suit pending in the Court of Claims at Washington to enforce compensation for postal service under its charter for an amount very much larger than that which is allowed by the Postmaster-General. The Postmaster-General claimed the right to fix the rates; the company claimed that the measure of compensation was fixed by its charter. This question has been before the Supreme Court of the United States, which decided in the company's favor, and remitted the case to the Court of Claims to determine what was a reasonable rate of compensation for postal service. Testimony touching this question is now being taken.

There is also pending, or about to be brought at the company's suggestion, in the Court of Claims, a suit with the United States to obtain a construction of the Thurman act, so called, as respects the meaning of "net earnings" as therein used.

In New York and Boston there are undetermined suits by and against the Credit Mobilier as to the state of accounts between the two companies, each claiming moneys from the other.

In New York there are suits as to the construction of an income mortgage made by the Kansas Pacific, and also as to the effect of the consolidation upon alleged liabilities of the constituent companies.

The motion for an injunction in the Leo suit has been decided in favor of the company.

If the foregoing does not embrace all that you desire to know, it will give me pleasure to comply with any further request you may make.

Very truly yours,

JOHN F. DILLON,
General Solicitor, Union Pacific Railway Company.

GEO. G. HAVEN, Esq., *Chairman*,
ISAAC H. BROMLEY, Esq., *Secretary, and others*,
Government Directors, Union Pacific Railway Company.

From this it will be seen that the only suits in which the integrity of the company's franchise is directly assailed are in the nature of *quo warranto* brought by the State of Kansas—one against the Kansas Pacific Railway Company, seeking to annul the entire franchise of that company, and the other against the Union Pacific Railway Company seeking to oust the company from the right to operate the Kansas Pacific under the terms of the consolidation.

At an early stage of the proceedings in these cases it was brought to our attention that in the latter suit only the directors of the Union Pacific Railway Company elected by the stockholders had been made parties defendant, and that notwithstanding the large and direct interest of the Government in the suit, the directors representing that interest had not been informed of the proceeding by notice or summons, or by being included among the parties defendant. In order that the interests of the Government might not be left wholly unrepresented and unprotected, our chairman, Mr. Haven, acting for the Board and by its authority and by the advice of counsel, addressed a petition to the supreme court of Kansas, asking that we be made parties to both suits, accompanying which were filed our petition and bond asking for the removal of both suits to the circuit court of the United States. The chairman of the Board having acted up to this point in the proceedings under the advice of Wager Swayne, esq., as counsel, it was thought best before taking further action to lay the matter before the Department and receive your directions as to the subsequent steps. The following communication from Mr. Swayne to the Government directors inclosing copies of the correspondence with the Department, explains our actions in the premises:

NEW YORK, *October* 31, 1883.

GENTLEMEN: Upon receipt of authority from you last week to Mr. George G. Haven, authorizing him, as chairman of the Government directors of the Union Pacific Railway Company to take steps for the protection of the interests of the United States in the proceedings brought by the State of Kansas to annul the Kansas Pacific consolidation, the Union Pacific Railway Company arranged with me to act as your counsel in the premises, without expense to the United States or to yourselves. The Secretary of the Interior being that officer to whom your reports are directed by law, it seemed best that before any steps were taken by you, or in your behalf, the Secretary would be informed of the pendency of these suits, and his instructions taken as to your moving in the matter. I have, accordingly, made application in writing, in your names, to the Secretary for instructions, accompanying the same with printed copies of the bills filed by the State, and the answer of the company and the individual directors, copies of which I also transmit to each of you herewith. In reply I have the Secretary's letter approving of your proceeding in the matter to protect the interests of the United States, as you have done, a copy of which letter, as also of my own, to which it is an answer, I inclose to you herewith.

Steps have been taken to remove the cause from the supreme court of Kansas to the circuit court of the United States for the district of Kansas. The court meets on the fourth Monday of November next. An answer will meantime be prepared for the Government drirectos, to be used if they are made parties to the suits, or either of them, setting forth the interest in the premises of the United States. A copy of this also will be transmitted to you.

Yours, very truly,

WAGER SWAYNE.

To ISAAC H. BROMLEY, Esq.,
GEORGE H. HAVEN, Esq.,
WATSON PARRISH, Esq.,
ARTHUR L. CONGER, Esq.,
COLGATE HOYT, Esq.,
Government Directors, &c.

WASHINGTON, D. C., *October* 29, 1883.

SIR: At the request of Mr. George G. Haven, chairman of the Government directors of the Union Pacific Railway Company, I herewith transmit to you printed copies of the petition in each of two suits brought by the State of Kansas in the supreme court of that State. One of these suits is in the nature of *quo warranto* making the Kansas Pacific Railway Company the only defendant, and seeking to annul the entire franchise of that company. The other is also in the nature of *quo warranto*, and makes parties defendant only those of the directors of the Union Pacific Railway Company who are elected by the stockholders of that company, omitting the Government directors.

This petition seeks to oust the defendants from all right or claim to operate the railroad of the Kansas Pacific Railway Company.

The ground of these suits is mainly that the Kansas Pacific Railway Company has consolidated with the Union Pacific Railway Company, and since then has not acknowledged itself to be a corporation of Kansas, nor kept its general offices in that State. The laws of Kansas provide that if judgment of ouster is entered in such cases, a receiver shall be appointed, the property of the corporation applied to the payment of its debts, and the affairs wound up.

In view of the repeated and peremptory requirements of the acts of Congress, by the aid of which these roads were built, that the Union Pacific Railroad and branches shall be operated as one continuous line, the further duties required of said railroad and branches by said acts, and the advances of money and grants of land made by the United States to the Kansas Pacific Railway Company, the Government directors feel that interests of the United States are here involved which require to be protected. They have, therefore, instructed me as their counsel to lay before you the accompanying papers and ask your instructions in the premises. I also submit for your instruction a petition by Mr. Haven, for himself and the other Government directors, which has been prepared by myself, addressed to the supreme court of Kansas, asking that the petitioners be made parties to both suits, and a petition and bond, to be used subsequently, for removal of both suits to the circuit court of the United States.

Your obedient servant,

WAGER SWAYNE.

Hon. HENRY M. TELLER,
Secretary of the Interior.

DEPARTMENT OF THE INTERIOR,
Washington, October 29, 1883.

SIR: I am informed that the State of Kansas has commenced legal proceedings in the supreme court of that State against the Union Pacific Railway Company and the directors thereof elected by the stockholders of said company, but that the directors appointed by the President to represent the interests of the United States in said corporation have not been made parties to such proceedings; that the proceedings are in the nature of *quo warranto* for the dissolution of the corporation called the Kansas Pacific Railway Company; that the action is based on the charge that the Kansas Pacific Railroad Company has forfeited its charter by consolidation with the United Pacific Railway Company.

Inasmuch as the United States is largely interested by way of mortgage or otherwise in the property of said Kansas Pacific Railway Company and in the maintenance of the said line in connection with the Union Pacific Railroad, as a continuous line, I consider it necessary that the directors appointed by the President to represent the interests of the United States in said Union Pacific Railroad Company should be made parties to such proceedings and should take such further steps as may be required to protect the interests of the United States.

Very respectfully,

H. M. TELLER,
Secretary.

Hon. GEORGE G. HAVEN,
Chairman of the Government Directors,
Union Pacific Railroad Company, New York City.

The *quo warranto* cases were called in the United States circuit court of Kansas on the 26th of November last, the State being represented by the Attorney-General, and the Union Pacific Railway Company by Messrs. Dillon & Swayne. A postponement was asked by the Attorney-General on account of the absence of Mr. Clarence A. Seward, associate counsel, and was opposed by the attorneys for the company upon the ground that they had been in communication with Mr. Seward and had learned from that gentleman that it was not his intention to be present at the hearing upon the petition to remove the suits to the circuit court of the United States. After some delay a postponement of one month was granted.

The general solicitor of the company informs us that at the suggestion of the United States circuit judges an arrangement was made by the counsel in the cases that a formal order remanding the cases should be entered and the causes be thereupon removed to the Supreme Court of the United States; and this has been done, the State stipulating meantime that it will not proceed in the State court while the matter is pending in the United States Supreme Court. It is believed that the question whether the trial of those cases in the first instance shall be had in the State or the Federal court will be decided by the United States Supreme Court at its present session. It is not disputed that that court has the ultimate right to decide the questions at issue between the State and the company.

THE DEBT TO THE GOVERNMENT.

The relations between the company and the Government growing out of the bonded indebtedness of the consolidated roads to the Government have never been entirely harmonious or satisfactory. Differences of opinion have arisen concerning the amounts due the company for Government service, mail carriage, Army transportation, &c., the terms of payment, construction of charter provisions and laws of Congress, and other matters of detail, so that there has seemed to be a constant clashing of interests between the two. The so-called Thurman act, which was intended to be a conclusive settlement of the questions at issue between the Government and the company, has failed to effect its purpose, and a mutual understanding as to its meaning and scope has not yet been reached. That portion of the act which provided for the investment of a fixed proportion of the earnings of the road in certain United States bonds as a sinking fund for the gradual extinction of the debt has been rendered inoperative and null by the action of the Government in taking up the bonds of the class named in the act, so that there are none now to be purchased in market. Hence it happens that the company has paid into the United States Treasury large sums of money which lie idle and uninvested, to the company's loss, and with no gain to the Government. The value of the company's securities is impaired by this condition of things. It seems plain that, for the sake of the Government as well as of the company, there should be some additional legislation on this subject at as early a day as possible.

We are informed that it has been made a subject of consultation between the Treasury Department and the General Railroad Commissioner, but we do not learn that any practical result has been arrived at or any definite plan agreed on. The bonds issued in aid of the Union Pacific and Kansas Pacific roads, secured by second mortgage, fall due in 1895. They amount in principal and unpaid interest to nearly $50,000,000.

Unless some provision is made to refund this debt upon a satisfactory basis it is to be feared that the company will not be able to meet its obligations, and that disastrous financial complications may result. To avoid this it has been suggested that an actuarial computation of the net amount of those debts, principal and interest, at a certain day, say July 1, 1884, be made, and that this sum be divided into 120 equal parts, the company to issue 120 interest-bearing bonds, payable on each six months, until the whole debt is extinguished. This would give the company a fixed and definite sum to pay semi-annually, and would extend the time of payment over sixty years, at a constantly decreasing annual draft. The effect would be to remove the misunderstandings now existing as to what constitutes the 25 per cent. of net earnings required to be paid under the Thurman act, and would at the same time strengthen the security of the Government and enhance the credit of the company. This or something similar in the way of legislation seems to us to be very desirable, if not absolutely demanded by the necessities of the case. Should such a proposition be made by the company on behalf of the Government, we have no reason to doubt that it would be cordially accepted by the company.

IN CONCLUSION.

In concluding our report, which is necessarily somewhat longer than usual on account of the number of topics it has been thought desirable to cover, we have only to repeat the expression of our confidence in the future of the road and its ultimate ability to meet all its obligations to the Government. The road-bed, tracks, buildings, and equipment are all in excellent condition, and kept well up to the highest standard of the best roads in the country. The feeding lines are bringing each year additional traffic to the main line and increased profits from their own business, to the permanent advantage of the whole system.

G. G. HAVEN.
ISAAC H. BROMLEY.
W. PARRISH.
COLGATE HOYT.
ARTHUR L. CONGER.

GOVERNMENT DIRECTORS' REPORT, 1884.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES, TRANSMITTING THE ANNUAL REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILWAY COMPANY FOR THE YEAR 1884.

[House Ex. Doc. No. 79, Forty-eighth Congress, second session.]

To the Senate and House of Representatives:

I transmit herewith, for the consideration of Congress, the annual report of the Government directors of the Union Pacific Railway Company for the year 1884.

CHESTER A. ARTHUR.

EXECUTIVE MANSION, *January* 12, 1885.

THE GOVERNMENT DIRECTORS.

The law does not clearly define nor prescribe the duties or functions of the Government directors. They are reluctant to assume functions regarding which there may be any question of the propriety of their exercising. On the other hand they are reluctant to omit the performance of any duty or the discussion of any questions which may be considered as legitimately imposed upon them.

They therefore make suggestions in this report as their best judgment dictates, concerning the interests, the proper subjects of their consideration.

THEIR OFFICE.

The Government directors are not financially interested in the Union Pacific Railway property. From the nature of things, and legally, they cannot and should not be. They are appointed without any reference to their special qualifications or knowledge concerning railway operation or management. They have uniformly (with the exception of one of their number at one of the meetings) attended the stated meetings of the Board of Directors, as contemplated by law. They have made such general and circumspect examination into the physical and financial conditions of the road and its aspects in a commercial regard as the time at their disposal has enabled them. From necessity, and for the reason that they are not financially interested in the property, and hence not in so close business relationship as they otherwise would be with those in whose charge the interests of the road are immediately reposed, they are compelled to discover and suggest for themselves such lines of investigation as their judgment dictates to them as possibly pertinent in the premises.

It should find record here that since the meeting of the directors, December 17, the most ample facilities and courteous means have not only been uniformly extended to the Government directors in the investigation of every matter or subject in which information has been sought, but they have been solicited by the management and assisted by every employé with whom they have had relations to examine thoroughly into matters regarding which there have been allegations or suspicions, public or other, affecting or reflecting upon the action of the company.

Allusion is made to this for the reason that some impressions concerning the conduct of the company, and unfavorable to it and to lines of policy supposed to have been adopted, or approved, or permitted by the directory have been removed. These related mainly to financial management and conduct. They were dispelled either because the most thorough and intelligent examination and investigation that suspicions entertained suggested the propriety of making failed to reveal reasonable grounds, or because they showed affirmatively that such grounds did not or do not probably exist.

The nature of these will appear in the succeeding portions of this report. It would be manifestly improper, and especially a dereliction of duty, for the Government directors to give official expression to any statements, allegations, or suspicions which they could not substantiate or facts do not clearly establish.

They do not wish to convey the impression that they have gone over the entire field of their legitimate inquiry. The tenure of their office has been too short to make that feasible or possible.

Considering the tenure of the office of Government director, it will be readily understood that it is an almost impossible task for him to apply himself to the discovery and consideration of all such facts and details as a full, practical knowledge of the affairs of the company would involve and his inclination dictate. The propriety, and even necessity, of the Government directors being men conversant and professionally proficient in railway details and concerns, are, in this view, vividly apparent. But the employment of such men, with the expectation that they would apply themselves assiduously to the persistent performance of their duties, would involve a very different measure of compensation from that now provided for their services.

COMMITTEES.

The statutory provision that at least one Government director be placed upon each of the several committees appointed by the Board of Directors was complied with in the appointment of the following: Upon executive committee, Colgate Hoyt; upon land committee, E. L. Joy; upon finance committee, D. R. Anthony; upon Missouri River bridge committee, F. Colpetzer; upon committee on connecting roads, H. L. Merriman.

It may be assumed the duties of the respective committees have been of especial importance during the past year. The Government directors are, however, unable to report on that point. Excepting in the cases of the executive and land committees, none of the Government directors have been advised or are aware of any meetings.

THE EXECUTIVE COMMITTEE.

The Government member has been notified of, and has, with one or two exceptions, attended every meeting of this committee.

The practical functions and duties of the board of directors are so delegated by the board to this committee that it really embodies all the executive powers and authority of the corporation, leaving little or nothing for the other committees to do. This the Government directors decidedly deprecate.

It is important that the Government be advised of all and singular of the acts proper and necessary to be made public of the corporation, and be placed in possession of all the facts, matters, and details upon which it conducts its operations. To this end it is proper that each Government director should be enabled to apply himself to the particular functions which would devolve upon him in his specific committee service.

THE MANAGEMENT.

The Union Pacific Railway system, than which there is not a grander of the kind in the world, has grown up under the personal supervision of Mr. S. H. H. Clark, who occupied the position of general manager until superseded by Mr. S. R. Callaway in October last. The retirement of Mr. Sidney Dillon from, and the succession of Mr. Charles Francis Adams, jr., to, the presidency, and the change in management aforesaid, are very important events in the history of the company. They impose upon the Government directors the performance of a very delicate task.

Assuming what may, for the purposes under consideration, be regarded as true, that strictures and criticisms of no uncertain import could and would be properly made in the most distinct manner touching acts, practices, and policies of the company, notably those pertaining to the controversies with the Government, those respecting the conduct of the traffic department, and those relating to some of the features of its financial management, the radical change in the administration imposes with peculiar force upon the Government directors the utmost care and consideration herein, to the end that they may not, wittingly or unwittingly, embarrass or impede the administration in an honest effort to eradicate evils heretofore existing. They shrink from committing any act, or, except it may be clearly substantiated, giving official expression to any fact tending to impair the ability and effort in the direction named—an effort they feel impelled to say they regard as not only possibly but probably promising substantial and felicitous results, if the execution of presently declared plans and policies of the administration are not in some way interfered with or prevented.

LOCAL AND GENERAL MANAGEMENT.

In their report for 1872 the Government directors said:

"The executive power is held in Boston and New York. Those clothed with it seldom visit the line of the road. While this remains the case there will continue to be that lack of information relative to, and grasp of, the facts and data concerning the real sources of business from which the greater proportionate increase of earnings should be derived, which now forms a just ground of complaint. It is one thing to manage the through business of this line, to care for the general financial interests of the company, and handle and care for its securities on the market, but it is quite a different thing to grasp the sources of its local traffic and to develop them into ever-increasing streams of revenue. The former can be done in New York and Boston. The latter can only be accomplished on the line by officers clothed with official executive power. We * * * that some reasonable and prudent steps be taken, either by voluntary action of the company or, that failing, by prudent legislation, which shall carry the practical executive management of the Union Pacific Railroad to the field of its local operation."

THE DIRECTORS.

Strange as it may appear in the light of subsequent events, these suggestions were in no wise acted upon until in 1884, when the very results predicted were discovered to have occurred in the extremely unsatisfactory condition of the company's affairs. Policies had been inaugurated, acts directed, and purposes accomplished which had not had the sanction of the local management, while the element of intelligent "local executive power and authority reposed on the line of the road" was wanting. So largely, if not entirely, because of the absence of that mutual familiarity with the actual concerns and requirements of the road, which it was the duty of the executive as well as local management to have had, practices had been permitted to grow up which a conscientious, efficient, and well-informed directory should have prevented—practices of incalculable detriment eventually to the road. But yet the road became a virtually perfect highway. So that at the time of the retirement of Mr. Clark the office of general manager was a position well worthy the proud ambition of any man. The Government directors believe President Adams at once recognized the necessity of immediately adopting the policy indicated in the foregoing quotation. At least he has declared that the responsible executive management is to be in the person of the general manager. If this policy is pursued and executed as it should be, and it is believed will be, there can be no doubt but that the best possible results will be attained. As adding to this probability, the road comes to the new general manager in that generally excellent material condition that is some guarantee, at least, in that direction. The great magnitude of the system and the immensity and diversity of its interests, the great responsibility devolving upon the general manager, all demand in that official the very highest order of administrative ability and professional talent and experience. The Government directors believe they can conscientiously say that Mr. Callaway eminently embodies these qualifications. If permitted to exercise his duties and define policies as his judgment and his better familiarity, which he may be presumed soon to acquire, with the road and its requirements, freed from the pernicious dictation which evidently in years past emanated largely from New York, shall dictate, he may be expected to reap abundantly successful results.

But the Government directors, basing their conviction upon a pretty thorough investigation of the condition and the characteristics of the road, feel impelled to express the opinion that the directory have not been familiar with its real requirements and the scope of its interests. In fact, those interests are not readily comprehended. The Government directors feel confident that the Union Pacific directors, immersed as they have been in their private affairs, have not sufficiently, in a practical manner, acquitted themselves with the interests in their keeping.

After all, the greatest measure of responsibility, even from the perfect turning of the car-wheel up to the declaration of full dividends on schedule time, is perhaps upon the general manager. He is generally also held accountable for all the abuses of which the public complains.

The management is at present employing and applying every device in the way of economy that the most scrupulous care can suggest or ingenuity invent.

The immediate and temporary result of this has been up to this time very gratifying. It has had a very perceptible effect on the ratio of earnings to expenses. To what extent this policy of severe retrenchment can be carried and be successful time will more clearly indicate. But that there were many avenues to economy existing there can be no doubt; that many sources of economy have been and will be discovered is probably certain. A showing elsewhere in this report in this regard indicates the character of the results produced and likely to in a measure continue.

It is not proposed nor regarded as practicable to burden this report with statistical details. But a single instance relating to the details of operation, that seems to be *apropos* in this connection, will be named.

The Union Pacific has the reputation of being exceptionally conservative in the matter of granting free passes. A statement of those issued during the year last past, being only "trip" passes and not including "annuals," shows that the lowest of one week's issue was $13,772.76, and the highest $21,452.40. The computation is upon the basis of regular passenger-tariff rates. Here is an item of nearly $1,000,000 per annum. Of course, a large proportion of these passes are issued on account of employés. The specific amount could be ascertained only by an examination which it would be impracticable at this time to make. But a single item, involving in amount a sum equal to one-thirtieth of the entire gross income of the company, and having only or seemingly the single element of gratuity in it, is apparently a feature regarding which measures to correct are demanded, and, it is gratifying to say, have been inaugurated.

TRAFFIC MANAGER.

One of the first acts of the new administration was the appointment of Mr. T. L. Kimball, formerly assistant general manager, to be traffic manager.

The wisdom of this change is manifest. The position is hardly secondary in importance to any in connection with the operation of the road. The well-known experience and ability of Mr. Kimball may be safely assumed to be commensurate with the character and magnitude of this responsible position. The outcome of his administration of this department it is believed will be eminently beneficial to the property.

It is a curious fact that such a system as that of the Union Pacific should for so long a time have been without such an office and an incumbent in it of the highest order of professional ability, able to give his undivided attention to this branch of the business, which is really the life-blood of the corporation.

STRIKES.

During the year there have been two strikes by employés connected with the repair department of the company. Other classes of employés were in the latter one either drawn or forced into it. Both strikes occurred prior to the incoming of the present administration. The employés of nearly all the shops were concerned in the latter one. An order reducing the pay of employés caused the first strike. An order reducing the force in one of the shops caused the second. The first was subdued by a recession of the order. The second was suppressed only by an assurance that no employé would be discharged except for inefficiency or like cause.

The moral effect of these surrenders by the company was bad. It strengthened or intensified an already rebellious spirit. It has crippled the ability of the company to manage and control its vast army of employés. Nearly every employé is a member of an organization bound to repel any act that may be construed into a wrong upon a single one of its members. The wrong may be real or it may be fancied. The inefficient employé has the same protecting power behind him as the most skilled and faithful workman. A fancied wrong is as liable to excite this force into active and riotous demonstration as a real grievance. It is, therefore, a standing and portentous menace to the proper management of the company's affairs.

The organization has come now to comprise nearly all classes of employés, including conductors, engineers, firemen, and brakemen. Either by inclination or by force or threats of personal violence to those who would not otherwise participate in a strike, traffic upon the entire system may suddenly be compulsorily suspended.

The exigencies of the company, decreasing revenues, and steadily increasing obligations prompted both the orders referred to. But the employé knows nothing of these exigencies. He only knows that the corporation is great, rich, and powerful, or has been. He is jealous of his rights and suspicious that any interference with his interests is prompted by the single motive of avarice. The spirit of disloyalty is, therefore, general and uniform.

These conditions call for remedial or, at least, palliating measures.

The Government directors take no ground of opposition to the proper purposes sought to be accomplished by this labor organization. They can do no less than indorse all well-intended and intelligent efforts and measures adopted to that end. But they view with alarm the necessity that forces the most rigid economy in the management of corporations and great industrial enterprises on the one hand, and which inspires, if not compels, rebellion against the reduction of the prices for labor to the lowest minimum on the other. But as competition has forced the successful employer to the most rigorous minimum of economy, so it is forcing the laborer to the lowest minimum of compensation.

And it is equally true that the same considerations and motives that have operated upon corporations to induce them to form combinations against the interests of labor, and those of the public, have operated upon and compelled the laborer to organize combinations for his own protection.

There is no method now by which alleged grievances of the employé may be amicably and intelligently discussed, nor the real exigences of the company brought to his knowledge. There is no means by which the unrelenting facts that dictate the action of the company may be made to appeal to the sense of honor and fairness which exists in the employé but is not awakened.

As it is now, managers do not feel authorized to disclose the reasons and real necessities which prompt their conduct and are in their nature private.

These facts suggest the legal formulation of some plan by which these differences may be amicably and justly settled. The interests of the corporation, on the one hand, and the physical and moral power of these employés, on the other, are of too great magnitude, and there is too much danger involved in the well-being of both for these conditions to remain as they are without at least an effort being made to remedy them.

As a means of preventing riotous proceedings, in the mean time, every passenger and freight train and car, and every person and department concerned in their movement, should be protected by the same statutory provisions as those relating to the United States mails. This company's property is in a measure the property of the Government. Federal protection of it may, therefore, be properly invoked and exercised, and Federal authority would be scrupulously respected.

UNPOPULARITY.

A striking feature regarding the Union Pacific is the unpopular, bitterly hostile feeling toward the road in the communities generally through which it passes, and by many of its patrons. As the Government directors have investigated this matter pretty thoroughly, they believe they are competent to form a correct opinion as to some of the causes of this.

Up to within a comparatively short time the road has been a complete and absolute monopoly, so far as the traffic department was concerned. This department for years, and until very lately, has been conducted upon the theory that the Union Pacific would always be able to maintain its monopoly, and upon the principle that corporate extortion is a performance in which a railway management may indefinitely indulge with impunity. It was a great and unfortunate error for the Union Pacific. In the mean time a public sentiment was being manufactured that embraced the first and earliest opportunity to divert patronage to any competitor. Now that competitors have entered the field, the fruits of this disastrous policy appear on every hand. The road, in addition to its other burdens, is compelled to bear the load of aggravated ill-will, not only along its line, but at commercial centers. It is true that the public at large has probably gradually become imbued with the settled conviction that the railway corporation is inimical to it. This has come almost exclusively and as a natural result from the system and methods to which we refer. So that now, when the Union Pacific is in need of every resource it can command, its management finds itself confronted and hampered by this feeling of animosity toward it.

With the recent change in the presidency and management of the road have come a desire and expressed determination to rectify this condition and disabuse the public mind. But the public is and will be slow to be tutored, especially to appreciate this change of policy. This fact stands in the way of the immediate success and accomplishment of the purpose to which every energy of the administration is apparently now, and, without doubt, will continue to be, devoted.

It will bear repetition here that it is within the knowledge of the Government directors that the president and general manager recognize the necessity of popularizing the road, so far as they may. The obstacles in the way are numerous. The present system upon which railway traffic management is conducted in general, the conditions which induce the adoption of the many offensive features pertaining to this pernicious system, the competitive forces and complications which compel it, if the railway secures any profitable earnings at all, stand in the way, and it is to be feared may do so until remedial legislation of some sort shall afford the means of changing the system and suppressing the objectionable practices. The management will succeed, so far as the Union Pacific is concerned, in its purpose in this regard, if vigorous and conscientious effort, of which there is convincing evidence, can accomplish it. But the process at best will be one of long duration, and may possibly not be accomplished before the sentiment of antagonism ripens into vindictive and dangerous legislation, which, if not successful in its purpose, will be a most expensive expedient.

It is the constant fear of adverse legislation, on the one hand, and the constant determination on the part of the public to have remedial legislation, on the other, that tends to render railway securities of uncertain value, the operation of roads of uncertain success, and of greatly increased difficulty to their managements. Securities that should have certain and stable values are thus frequently converted into simple mediums of speculation. That legislation is properly demanded will not be disputed. That it should be adopted at the earliest practicable moment seems to be evident. The delay unsettles as well as dissatisfies. The anticipation is more detrimental than the realization would be. In the mean time the corporations find it impossible to correct existing evils.

An examination of the stockholdings of the Union Pacific develops some very interesting and, under present circumstances, very important features. It demonstrates, what may not be generally understood, that it would be quite a public misfortune if these holders of small lots should, by the permanently reduced value of the stock, be discouraged and induced to withdraw their investments.

There are 608,685 shares of $100 each.

The Boston stock ledger, which in 1875 contained the names of only 95 holders, representing 67,121 shares, now contains 5,145 names, representing more than 231,000 shares. In 1875 the average to each holder was 706; now it is 44. Of the 95 then, only 33 are now of record. "It thus appears that about 149 in each 150 of those who hold stock to-day were not holders in 1875; not one in 150 of the present Union Pacific stockholders were owners of stock in 1875."

There are now 7,713 holders of this stock. In 1875 there were scarcely as many hundred. At that time the holdings were in large amounts. Now 3,550 out of this total of 7,713 persons hold 10 shares or less; 3,449 hold between 10 and 100 shares; 393 hold between 100 and 250 shares; 165 hold between 251 and 500, and 156 hold more than 500 each. These comprise women (mainly in New England, 2,346 holding 58,016 shares); trustees and guardians (327, holding 6,672 shares); and banks, holding as collateral 11,566 shares.

The New York stock ledger shows a more nearly approximate condition than is generally supposed, or at least frequently asserted. Of the 375,502 shares registered in New York, President Adams, upon careful computation, expresses the opinion that not more than 128,863 are held on speculative account. "A careful analysis," he says, "of this ledger shows that 64,066 shares are held by small investors, 128,036 by large investors, whose holdings have not greatly varied, and 54,537 are held for foreign account. In other words, of the entire capital of 608,685 shares now outstanding 128,863 only are held on what is known as Wall-street account."

The large proportion of these shares now held by investors was acquired at more than $100, and as high as $131.

The Government directors have examined the books referred to, and satisfied themselves of the correctness of the statements in this regard, which they incorporate in this report.

PHYSICAL CHARACTERISTICS OF THE ROAD.

The Government directors have not conceived it their province nor within their ability to apply themselves specifically to an examination of the mechanical condition of the road or its equipment. Since the creation of their office the office of Commissioner of Railroads has been established. The duty referred to has been specially delegated to that office, and provision made for the employment of experts.

At least one or more of the Government directors has passed over nearly the entire system. A thorough and intimate knowledge of the physical conditions and capabilities of the road, its present and future prospects, was sought. This has been regarded as required, because of the irritating relations between the Government and the company, and the complications which concern the healthful management of all corporations of this class.

The indebtedness of the company to the Government is assuming enormous proportions. Nearly every conceivable question connected with the transportation problem, so called, is coming to be involved in this issue between the company and the Government.

The questions involved are: The extent to which the abilities and revenues of the company are and will be affected by competition; whether all of the several extensions and branch lines are, or are likely to be, profitable or otherwise to the company; whether their ownership or right to operate them has been acquired upon equitable terms; whether any of them have been acquired at a cost materially beyond their real or fair value; whether the connections of the company's lines with those of other companies are, and will continue to be, such as its interests and successful and profitable management demand; whether present and future competition may or may not eliminate the item of profit from what is known as through traffic, or has not done so; whether the local traffic can be made to stand the strain that will be imposed upon it in the process of operating the road so as to afford a reasonable profit and at the same time liquidate its indebtedness, especially to the Government; whether the country it traverses will afford the resources commensurate or necessary to this; to what extent the solution of these questions will tend to further complicate the relations between the company and the Government, and jeopardize or retard the payment of the debt or place the company in a position to pay it.

Each of these is a serious question. Each addresses itself to careful legislative consideration.

Parenthetically it may be well to quote the language of then Senator Matthews, in the Senate, March 14, 1878, in the debate upon the "Thurman act:"

"Where do these (Pacific) roads, and how, earn money to pay over to the Government? From whom does it come? It comes from every man, woman, and child who travels as a passenger on the line of these roads. It comes from every pound of freight that is transported over their length, either in whole or in part. It comes from the business of the country. In other words, the amount of money levied by this bill, if it ever passes, is tax levied by Congress upon the commerce of the country that passes by way of transportation over these lines."

The conclusions legitimately deducible from these remarks are painfully manifest and interesting.

During a long period of the life of the Union Pacific it was a perfect and absolute monopoly. The profits of its operation were princely. Its future obligations were as magnificent prospectively in their proportions as they are now certain and increasing. In view of present unsettled commercial and financial conditions, and particularly as they concern the Union Pacific, the past history of the company appears now like a travesty upon corporation management. While it was earning the money to acquire and pay for over $40,000,000 of securities and to declare more than $26,600,000 in dividends upon stock which the now president of the company declares represented little but the energy of the projectors of the road, and all this from transportation, for it had no other sources of revenue, time and opportunity when a fund for the liquidation of this vast indebtedness might have been easily established were either carelessly or purposely permitted to pass by. Not even the first step was taken toward utilizing for the future benefit of the corporation the princely prerogative of monopoly, the resources of an overflowing treasury, and the advantages of a financial tidal-wave bearing nothing but prosperity on every hand. To criticise is easy, but there are occasions when it seems to be required. But it is futile now, as it is to inquire what motives prompted such kind of management.

While these agencies were at work the bonded and floating debt was increasing. The earnings were devoted and diverted to dividend purposes or to the acquisition of lateral lines or extensions, paying or non-paying, until the maximum of the company's bonded stock and floating indebtedness was reached in the present year. Suddenly it was discovered the floating indebtedness had reached, June 30, 1884, the enormous sum of $13,110,020. The assets to meet this were: Cash, $1,192,070; company's stock and bonds, $2,072,353; sinking fund in hands of trustees, $32,000, and bills and accounts receivable $2,913,419, making a net debt of $6,900,177. By the operation of policies inaugurated by the new administration, this net was reduced, up to September 30, $1,763,163, or to $5,137,009. This is a result over which the administration is disposed to congratulate itself, in view of commercial conditions and the complications which a change of administration is calculated, during its incipiency at least, to develop, if not magnify. The rate of decrease of this debt, notwithstanding, was about $600,000 during each of the months of October and November. Its reduction was a consummation to which the new management specifically and strenuously addressed itself.

It is proper to add that a large proportion of the items which serve to swell the aggregate of the floating debt was of expenses incurred in new construction and advances on that account; as, for instance, the new Oregon Short Line, Denver High Line, &c., then being built, but recently completed, and settlements on account of which had not been made. The advances June 30, 1884, to other roads in process of completion and on construction account, which advances to the extent that they were then (and some are still) unadjusted were and are payable in the bonds and stock of such roads, amounted to $7,387,095.

The Government directors will not discuss the question as to whether the policy of diverting the net revenues of the company to the building and acquisition of branch and lateral lines was a wise one or not. That the time came when the revenues of the company decreased, as compared with other periods of its operation, when competition relentlessly assailed it and commercial depression most formidably threatened it, is certain. It may not be even a debatable question whether the corporation is now in a better condition to meet and overcome those contingencies, having adopted that policy, or not. The policy was permitted and executed with the knowledge of the law-making power. Criticism, if any is to be offered, may be more pertinent as relates to the manner in which the policy was, or was permitted to be, executed than upon the policy itself. But any irregularities or errors that crept in are past remedy now.

It will appear hereafter that the Union Pacific holds a majority of the bonds and stock of nearly all its branch lines. The Government directors have not had the time to examine and report upon the question as to the amounts for which these respective bonds were negotiated, either to the Union Pacific or to others holding them. These branch lines are all separate and distinct corporations, having separate and distinct official organizations. The stock and bonded indebtedness of these lines is about $30,000 per mile. But the actual cost of construction and real value of these lines is represented by the bonds, about $15,000 per mile. In other words, the stock is what is known as "water," and was issued as a bonus with the bonds.

It is suggested, in view of the plenary power of Congress in the premises, the relations of the company to the Government, and the manifest benefit it would be to the company, that the company should be empowered and required to secure the outstanding stock, if it may be done upon reasonable terms, of these lines, and that it be canceled, thus merging it in the Union Pacific stock proper. The same suggestion applies, with like force, to the bonds, and raises the question as to whether the best interests of all concerned may not require that the company be compelled (and be authorized and enabled by law to conduct its affairs accordingly) to acquire and cancel the outstanding bonds. The propriety of this is very apparent. Whatever these branch lines earn, directly or indirectly, should inure exclusively to the benefit of the Union Pacific property. Certainly no profits of operation, nor dividends earned by the operation by the Union Pacific of these lines, should inure to the benefit of stock of lines built with the money of the company, and which is valuable only by reason of the operation of the lines by the Union Pacific. At least, this condition should be changed as speedily as possible.

While it is true that with the exception of Saint Jo. and Western, Denver and Boulder Valley, and Oregon Short Line (of the stock of which last named the company owns one-half) the majority of stock, practical ownership, and absolute control of the branch lines are in the Union Pacific, and that such ownership and control could be compromised, affected, or divested only by the financial embarrassment or misfortune of the parent company, still it is manifestly desirable that any fictitious elements be eliminated from these securities, if possible, for the benefit of the property at large.

The main, subsidized portions of the Union Pacific comprise about 1,830 miles of road. Its total mileage, operated, owned, or controlled, is about 4,428 miles. Including lines in which it has greater or less proprietary interests, the mileage is about 5,510. The Nevada Central is non-paying. Its abandonment is contemplated. The Marysville and Blue Valley, Greeley, Salt Lake and Pacific, and Kansas Central are also of themselves non-paying. The Colorado lines are not generally profitable, but the fact that all these are more or less important feeders to the main lines must not be omitted from consideration. The Central Branch is operated by the Missouri Pacific. The Government directors are unable to state for what reason. It is a competing line to the Union Pacific. The Saint Joseph and Western is in the hands of a receiver.

The report of the Commissioner of Railroads contains details of these matters, to which reference may be had for a more specific understanding of such features, but which it is not deemed necessary to repeat here.

As bearing upon this subject it may be said that while a considerable portion of the country through which the Union Pacific passes is destined to be forever a barren waste, by far the greater portion has but just begun to be developed. The Government directors may be over sanguine, but, if their estimate is correct, a large portion of the country referred to will yet develop an extent and degree of wealth not now generally conceived or conceded. Each year bears new evidences of the fertility of the soil or of the adaptability of the country to new and remunerative enterprises which a few years ago were regarded impossible of development. The use of water for irrigating purposes has already produced wonderful changes and they are in their veriest infancy. Upon and along the lines are various points that at no very distant day must become resorts for pleasure and health. Their development is all that is required to make them attractive as such. A liberal, determined, and persistent policy to foster and build up these local interests would present a brilliant prospect for the system if it could be placed upon an equality with its competitors in the matter of revenue upon its earning capacity.

THE OREGON SHORT LINE.

The completion of the Oregon Short Line during the present month to a junction and close business connection with the Oregon Railway and Navigation Company's line forms the shortest and most expeditious route to Portland, Oreg., and the Pacific coast. The line, including branches, is 595 miles long. The distance from Portland to the junction point, Huntington, is about 450 miles and to Omaha 1,900, so that about 1,500 miles of the line are controlled and operated by the Union Pacific. It is a road of remarkably easy grades and curves. It is generally well built throughout. It is capable of sustaining any amount of traffic or any rate of speed that may be required of it. It is stocked and bonded for $24,232,000, or about $40,709 per mile. The cost of the road is represented in the bonds $12,116,000, or $20,354 per mile. These also represent some equipment. Now that the line is completed, and its connection made with the Oregon Railway and Navigation Company's line, it is to be hoped its earnings will be materially increased, and that it will soon be not only self-sustaining, but a source of income to Union Pacific.

THE UTAH AND NORTHERN.

The Utah and Northern is a narrow (3 feet) gauge. It is 454 miles in length. It traverses a remarkably rich country. Its through as well as local traffic is immense. Transportation rates are likewise; at the time it was visited (in November) it could not handle its business. Remarkable as the statement appears, it is yet true that two stations on the line of this road, at its extreme northern end, Butte and Anaconda, 28 miles distant from one another, and about 1,400 miles from Omaha, collect and receive annually an amount of earnings nearly equal to one-tenth of the gross earnings of the entire Union Pacific system, so rich is the surrounding country in mineral wealth. Besides this, nearly the entire country through which the road runs is rich in live-stock interests, which are constantly assuming greater magnitude and value. Interspersed in this mountainous region are fertile valleys, which are being gradually devoted to agricultural and like purposes.

That the line was found in a condition of inability to handle its business is curious enough in view of the apparently profitable character of that business. That its resources should not have been husbanded by keeping the line in the best possible repair and up to a maximum capacity to utilize them may be owing to the possibility that the directory have been unaware of the real interests located there, and perhaps unable to comprehend that while "caring for the company's securities on the market," they may have failed to "grasp the sources of local traffic of the road" and neglected its "ever-increasing sources of revenue." A partial solution may also lie in the possible fact that the financial abilities of the company were being taxed, at the expense of this line, in the construction of the Oregon Short Line or other branches.

The surplus earnings of this (Utah and Northern) line for 1883 are reported to be $778,680.60, or about $1,274 per mile. Considering the character of the country and the location of the line this is most remarkable. The interest charge on the bonds of the line was $388,010, leaving a net surplus of $390,670.60.

COMMERCIAL CONDITIONS.

Business has been and is now much depressed in Idaho and Wyoming. In the latter there has been no increase in population nor perceptibly in business during the last five years. The prevalence of the Mormon element in Utah, Idaho, and Wyoming is a serious drawback to the present and future prosperity and development of those sections.

Business is also much depressed in Colorado.

It will be observed that the net balance of advances by the Union Pacific to the Denver, South Park and Pacific (Colorado) lines was in June last, as reported by the Commissioner of Railroads, $1,773,347.25.

The lines reported a surplus of earnings for 1883 of $48,748.29, against which the annual interest charge upon the bonds is $215,340. Of the bonds of this line, $3,289,000, the Union Pacific held March 31, 1884, $1,489,000, so that it retained a little less than one-half of the interest charge. Of the stock, it held $3,994,570 out of $5,292,800.

LOCAL TRAFFIC.

The local traffic of the Union Pacific may be regarded as confined principally to Nebraska and Kansas and portions of Colorado and Utah, and of the Utah and Northern line.

COMPLICATIONS.

Since the building of the Union Pacific proper, and the breaking down of its monopoly of transcontinental, and of a large proportion of its interstate traffic, the changes in railway conditions have been so sudden and radical as to almost surpass comprehension. By the extension of the Burlington and Missouri River (Chicago, Burlington and Quincy) Railroad to Denver, together with the building of other lines to that point, the completion of the Denver and Rio Grande to Salt Lake and Ogden, most important sources of revenue to the Union Pacific have been closed, to the extent that the feature of profit has been in no small degree eliminated. The persistent tapping by the Burlington and Missouri River of the Union Pacific at important local points, in Nebraska especially, has resulted in a division of the traffic, the steady growth of which was undoubtedly relied upon as a factor to indefinitely and constantly increase the earnings of the latter company—an expectation that only failed of realization because of probably unexpected competition. In no cases have the Government directors found that material reductions in rates have ensued to the common local points. But comparative reduction in revenues from local business has ensued, the remarkable and sudden influx of population only preventing a more marked exhibit and more serious result in this regard than there would otherwise in all probability have been.

President Dillon casually referred to these conditions in his report for 1883. "Business depression in Colorado and a division of the Montana traffic with the Northern Pacific" he assigns as causes of a large loss of passenger traffic. There was in that year a net loss in Pacific coast business done by the Union Pacific, being a gain in east-bound traffic of 23,083 tons, but a loss in west-bound of 67,872 tons. And though there was an increase of $32\frac{7}{10}$ per cent. in volume of local traffic, there was an average decrease in rates per ton per mile for the year on through freight of 0.73 of one cent, and on local freight of 0.24 of one cent. The net result was a decrease in earnings, as compared with 1882, of $1,821,342.46. The general result was more business and less earnings. This was due entirely to competition and depressed rates.

It is a general rule, which has held good so far in railway history, that the tendency of rates is not only downward, but that once lowered they are with difficulty restored, and never permanently increased.

The earnings of the company in 1882 were the largest of any one year of its history.

The Chicago and Northwestern Railway has been extending its line westward, and it is currently reported that it will soon be in the field as a competitor in Wyoming, Idaho, Oregon, the Pacific coast, and possibly in Montana. In this event rates will probably neither decrease nor increase, but the already meager business will simply be divided.

The Burlington and Northwestern roads will represent in cost and indebtedness much smaller proportionate amounts than the Union Pacific. This renders them even more formidable competitors than they would otherwise be. If the Union Pacific represents an excessive indebtedness (for which financial conditions at the time the road was built and less adequate facilities as compared with now are partly the cause), this competition must tend to reduce its earning capacity as compared with its competitors.

The Chicago, Burlington and Quincy Railroad system, according to Poor's Manual, represents a cost (its cash and available assets not being deducted) of $54,118 per mile. Its officially reported cost of construction and equipment (Poor's Manual) is $30,293 per mile. The Chicago and Northwestern system, according to the same authority, represents in total liabilities $38,281 per mile, and in fixed property cost $37,973 per mile. The Union Pacific, about 4,400 miles, upon the basis of its reported indebtedness, as shown by the books of the company, represents, excluding stock, $44,480 per mile, and including stock, $53,080 per mile. In none of these cases are available or other offsetting assets excluded or considered. The main subsidized lines of the Union Pacific, however, upon which the Government holds its security reports a cost for construction and equipment of $86,343.03 per mile. (Report Commissioner of Railroads, 1883, p. 280.) But the local traffic and resources of the two former systems named, and which go to swell their average cost per mile, are not to be compared with those of the Union Pacific. The larger proportions of their respective systems are in the very heart of a country that affords the greatest and most valuable kind of local traffic.

On the other hand, it is understood that those portions of their respective lines which compete specifically and most seriously with the Union Pacific as regards its local and also its through traffic, to a greater or less extent, do not and will not represent a cost of to exceed $15,000 to $20,000 per mile.

That this and the bonded and stock indebtedness of the Union Pacific are important, even vital, features to be considered in this connection, is shown by reference to the report of the Commissioner aforesaid.

The surplus earnings of the branch lines of the Union Pacific for 1883 are shown by said report to be $2,442,821.72, against which the annual interest charge is $2,510,160. The deficit is $67,338.28. From the same report it appears that the deficit in the operation of the subsidized lines of about 1,830 miles, including dividend April 1, 1884, for the five months ending May 31, 1884, was $729,414.56. On this basis, and excluding dividends, the annual surplus of the subsidized lines would be $727,528.62 only, from which is to be deducted the deficit of the branch lines, $67,338.28, leaving $660,190.34. (But the subsequent and more economical operation of the road, as heretofore appears, shows an improved condition, and the fact that interest charges are upon bonds, a portion of which are held by the Union Pacific, renders the deficit to some extent apparent rather than real.)

The net earnings of the Union Pacific Company for the year ending June 30, 1883, were $12,154,960.47. For the year ending June 30, 1884, they were $8,817,592.44. The decrease was $3,337,368.03. The total interest charge upon the bonded indebtedness of the entire system is $8,986,714.23. If there has been excessive bonding of the lines composing the system, which the records show as to the branch lines, so far as the Government directors are able to judge, has been mainly equal only to the actual cost of said lines; still, as the Union Pacific pays the interest upon the entire amount of these bonds, as one of the conditions of the operation of the branch lines, the fact presents a case of vital interest, in view of the showing made.

Of the entire bonded debt of the branch lines, $40,883,000, as shown by the report of the Commissioner of Railroads, 1884, bonds to the amount of $23,615,730.40, upon which the interest charge is $1,595,791.13, are held by the Union Pacific, so that this amount of $1,595,791 is a nominal rather than an actual charge upon the resources of the company.

That this matter of the branch lines may be the more fully understood, a table showing the mileage, amounts of stocks and bonds of the respective roads, so far as their operation is material, outstanding and held by the Union Pacific, November 26, 1884, is hereto appended. The amounts have been verified by the Commissioner of Railroads. All the stocks and bonds reported as the property of the Union Pacific are stated to be held absolutely and not pledged or hypothecated by the company, except in three or four practically unimportant instances.

Statement of securities of operated lines.

Name of company.	Mileage.	Stocks.		Bonds.	
		Outstanding.	Owned by Union Pacific.	Outstanding.	Owned by Union Pacific.
Omaha and Republican Valley Railroad.	$237 45	$926,500	$926,500	$1,853,000	*$1,851,000
Omaha, Niobrara and Black Hill Railroad	97 90	977,000	977,000	977,000	977,000
Marysville and Blue Valley Railroad	12 80	64,000	64,000	128,000	128,000
Echo and Park City Railway	32 27	480,000	480,000	480,000	480,000
Utah and Northern Railway	461 96	5,543,000	4,816,400	5,543,000	†4,968,000
Colorado Central Railroad	327 07	6,230,000	6,229,000	4,788,000	4,697,000
Denver, South Park and Pacific Railroad	320 70	5,292,800	5,192,500	3,289,000	‡1,896,000
Lawrence and Emporia Railroad	31 00	465,000	465,000	465,000	§465,000
Salina and Southwestern Railroad	36 00	288,400	231,700	540,000	‖540,000
Kansas Central Railroad	167 33	1,346,000	1,313,400	1,348,000	1,162,000
Denver, Western and Pacific Railroad	20 06	1,000,000	762,500	1,000,000	694,000
Central Branch Union Pacific Railroad	100 00	1,000,000	856,700	3,829,000	....
Nevada Central Railroad	93 50	1,000,000	959,500	1,000,000	250,000
Salt Lake and Western Railroad	57 50	1,080,000	1,080,000	1,080,000	1,180,000
Greeley, Salt Lake and Pacific Railroad	53 89	808,500	808,500	808,000	808,000
Oregon Short Line Railroad	595 96	12,116,000	6,058,000	12,116,000	150,000
Junction City and Fort Kearney Railway	70 45	977,100	*720,000	970,000	‖970,000
Solomon Railroad	57 04	1,108,900	*1,000,500	575,000	‖575,000
Denver and Boulder Valley Railroad	27 00	700,000	*17,000	550,000	‖548,000
Golden Boulder and Caribou Railroad	6 10	60,000	*60,000	60,000	‖60,000
Total	2,825 98	41,465,100	33,020,700	41,399,000	22,299,000

* $721,000 in 5 per cent. in call trust, and $1,092,688 in 6 per cent. call trust.
† $2,351,000 in 5 per cent. in call trust, and $2,518,000 in 6 per cent. call trust.
‡ $1,474,000 in 5 per cent. call trust, and $2,220,000 in 6 per cent. call trust.
§ $11,896,000 in 5 per cent. call trust.
‖ Held in trust by Messrs. Gould and Sage.

The balance sheets of the company for the quarters ending June 30 and September 30, 1884, respectively, are shown in the report of the president to the directors December 17, 1884. Exhibit is hereto appended:

	June 30, 1884.	September 30, 1884.	Increase.	Decrease.
LIABILITIES.				
First-mortgage bonds	$41,330,000 00	$41,190,000 00		$140,000 00
Interest on first-mortgage bonds:				
Due	1,064,540 00	218,820 00		850,720 00
Accrued, not due	185,638 35	669,460 00	$483,821 65	
United States subsidy bonds	33,539,512 00	33,539,512 00		
Interest on United States bonds, due and unpaid Interest on United States bonds, accrued, not yet paid	25,462,210 04	25,965,302 75	503,092 68	
Other funded debt	43,250,332 50	43,173,300 00		177,032 50
Interest on other funded debt:				
Due and unpaid	211,642 90	321,702 90	110,060 00	
Accrued, not yet due	612,091 64	618,459 16	6,367 52	
Dividends unpaid	83,884 77	79,366 27		4,518 50
Bills payable	7,205,533 14	5,783,778 53		1,421,754 61
Pay-rolls and vouchers	1,969,996 52	1,909,972 35		60,024 17
Accounts payable	2,542,423 57	2,900,175 60	357,752 03	
Called bonds	32,000 00	32,000 00		
Profit and loss (balance of undivided income, including land-grant income)	18,915,713 86	22,452,509 45	3,536,795 59	
Capital stock	60,868,500 00	60,868,500 00		
Totals	237,374,019 29	239,117,858 98	2,343,839 69	
ASSETS.				
Road and fixtures	157,728,147 11	158,120,007 97	391,860 86	
Land contracts, land, cash, &c	13,639,479 09	15,808,466 46	2,218,987 37	
Fuel, material, and stores on hand	2,482,243 67	2,074,467 91		407,775 76
Cash	1,192,070 86	825,237 79		366,833 07
Company's stock and bonds owned by company	3,072,353 09	2,091,739 76	19,386 67	
Other stocks and bonds	36,853,444 51	36,924,671 67	71,227 16	
Advances payable in bonds and stocks	7,387;095 50	7,710 901 74	323,806 24	
Miscellaneous investments	966,612 14	635,155 02		331,457 12
Due from United States	9,698,252 11	10,018,797 33	320,545 22	
Sinking fund in hands of trustees	170,802 21	33,484 59		137,317 62
Sinking fund in United States Treasury	2,270,100 00	2,270,100 00		
Bills receivable	235,100 00	262,100 00	27,000 00	
Due from other companies on account of traffic	359,717 74	488,271 65	128,553 91	
Accounts receivable	2,318,601 26	2,404,457 09	85,855 83	
Totals	237,374,019 29	239,717,858 98	2,343,839 69	

COMPARATIVE STATEMENTS.

As will be seen, the balance of surplus income of the three months, after payment of all fixed charges, including Government requirements and taxes, was $1,602,398.48, a sum equivalent to 2.6 per cent. upon the capital stock of the company. It should be remembered that the third quarter is generally the most profitable quarter of the year.

	Quarter ending September 30, 1883.		Quarter ending September 30, 1884.	
INCOME.				
Earnings (excluding Saint Joseph and Western)		$7,850,076 88		$7,317,770 86
Expenses (excluding Saint Joseph and Western)	$4,081,125 36		$3,330,458 78	
Taxes (including Saint Joseph and Western)	28,335 29	4,109,460 65	81,556 51	3,412,015 29
Surplus earnings, entire system		3,740,616 23		3,905,755 57
Income from investments outside of the system		70,260 52		47,002 00
Total income		3,810,876 75		3,952,757 57
EXPENDITURES.				
Interest on bonds	1,333,282 93		1,342,146 53	
Discount and interest	34,945 72		71,012 25	
Losses on securities, premiums, &c	23,030 45		7,364 42	
Company's sinking-fund requirements, sinking-fund bonds	133,000 00		133,000 00	
Interest on sundry bonds of operated roads	264,476 50		310,472 50	
Total expenditures		1,788,735 60		1,863,977 70
Surplus		2,022,141 15		2,088,779 87
Less United States requirements		549,300 76		486,381 39
Net surplus income		1,472,840 39		1,602,398 48

The following is a condensed statement of the financial results of the first nine months of the year as compared with the same months of the previous year:

	Nine months, 1883.	Nine months, 1884.
Earnings (excluding Saint Joseph and Western) and income from investments	$21,082,680 64	$18,594,170 06
Expenses and taxes (excluding Saint Joseph and Western)	10,953,130 70	10,861,537 73
Income over expenses and taxes	10,129,549 94	7,732,632 33
Expenditures: Interest, discount, losses on securities, sinking fund, &c	5,187,741 53	5,682,215 84
Surplus income	4,941,808 41	2,050,416 49
United States requirements	1,493,244 69	858,018 93
Balance	3,448,563 72	1,192,397 56
Add: Received from trustees Kansas Pacific consolidated mortgage	225,000 00	400,000 00
Total surplus income	3,673,563 72	1,592,397 56
Dividends declared during period specified	3,195,591 00	1,065,197 00
Balance of income	477,972 72	527,200 56

Under the circumstances, commercial and other, and in view of the complications which necessarily confront and embarrass a new management, the Government directors would feel disposed to comment favorably on these showings, if comment by them were pertinent in the premises. They have appended these exhibits and stated as fully as they have and shall the conditions which surround the Union Pacific with the view of making as clear as possible those conditions which should dictate the tenor and character of any legislation that may be enacted regarding the Union Pacific or affecting any corporations of this class.

The Government directors have not been able to agree among themselves that an extended consideration of the "transportation problem" is proper in this report, although so diversified are the interests and characteristics of the Union Pacific system that there is not one of the phases of that problem but that directly affects the operation and future prospects of the road. There is no road in the country whose interests lie more in the direction of having this troublesome issue satisfactorily adjusted or placed in process of solution, if need be, by some legal method. The Union Pacific stands prominently among the railways of the country whose revenues and successful operation are affected and impaired by the inability of these corporations to maintain profitable through or competitive rates, which cannot be maintained with any degree of permanency or certainty because of the detestable persistency of traffic managers to cut a terminal rate that has in it the element of fair profit to the carrier.

Like all railroads in the country, the Union Pacific has nearly, if not quite, approximated the condition of having to depend upon its local traffic for revenue. It becomes an important question for legislative consideration, therefore, whether and how the indebtedness of the company to the Government shall or can, under these circumstances, be secured, and within what limit of time. The transactions of the company, the manipulation of its property and resources, have passed into history, and cannot be recalled or obliterated. Wherever those vast earnings and investments have gone, they are certainly not now wholly represented in present values and assets of the company. The Government directors will not assume to assert or predict whether by any contingency of fortune or device of legislation there is any prospect that they ever can or will be. It is for them to call attention to what they believe to be the fact, that the bonded indebtedness and capitalization of the Union Pacific system far exceed the amounts the properties will bear as revenue-earning factors as compared with other competing lines. The issue is therefore forced whether the sections of country naturally or from necessity tributary to the lines can be properly subjected to the traffic rates which the payment of the company's obligations and successful battle with its competitors involve—whether in this process "the tax levied by Congress upon the commerce of the country that passes by way of transportation over these lines" may be equitably imposed.

In the contingency of legislation, either directly or through the medium of a commission, establishing, regulating, or interfering with these rates or providing a method for the payment of the Government's debt, it will be observed that a basis that would afford, for instance, the Chicago, Burlington and Quincy (Burlington and Missouri River in Nebraska) Railroad a fair revenue upon its cost would be entirely inadequate to the Union Pacific subsidized lines.

Inasmuch as local traffic must be relied upon mainly as the source of revenue with which the Union Pacific must liquidate its indebtedness, justice to localities, especially to the States of Nebraska, Kansas, and Colorado, demands the most careful consideration of the rates imposed upon them. It further opens up the question whether some method may not be devised by which "through traffic" and commercial centers may be compelled to bear their proper proportion of this burden. It is neither beneficial nor expedient that one class of rates should decline to the basis forced by relentless and dishonorable competition, while another class is maintained at exorbitant figures which competition does not affect, unless very indirectly or remotely.

On account of this really unjust feature, the Union Pacific, as are other roads, is compelled, in order to secure the revenues necessary to its requirements, to fix and impose rates, at points where they may be arbitrarily maintained, which embraces every feature of extortion. This fact is recognized and deprecated by none more fully and earnestly than the present management itself. And while it is true that the management is addressing itself most seriously to this feature and most vigorously to the correction of these evils, self-preservation compels it to condone or practice them.

Investigations preliminary to such changes and reductions as may in justice to the interest of the company be made, are being instituted with as much energy and dispatch as circumstances permit. But the very nature of things indicates that progress in this direction must be slow and unsatisfactory until remedial legislation shall come to its assistance.

So far as the State of Nebraska is concerned, its transportation interests are almost entirely in the hands of the Union Pacific, Chicago, Burlington and Quincy, and Chicago and Northwestern Railways—principally in those of the two former. These roads pool or maintain rates at all competing points. These points secure perhaps occasionally, but not generally, somewhat better rates than non-competing. But the advantages secured in that regard are not material.

At Denver, Ogden, Salt Lake, &c., other lines enter the field and other factors and complications operate upon rates. At these points, rates are comparatively lower and the difficulty of maintaining them is very great.

THE POSTAL CLAIM.

The questions involved in the controversy between the Government and the Union Pacific are so complex that it is almost impossible to deal with them intelligently without the intervention of some officer or Department of the Government directly familiar with the conduct and management of the company's affairs.

The company has interposed a claim for the transportation, during a long series of years, of postal-route agents, at passenger rates.

The Government directors have very decided convictions as to the equity of this claim. But as it is one of the items of controversy in the case now pending between the Government and the company in the Court of Claims, comment here would not, perhaps, be regarded permissible.

NET EARNINGS.

There is equity in the claim, in the opinion of the Government directors, that in arriving at net earnings there should be deducted such sums as are properly and necessarily expended in improvements and betterments. The high degree of excellence, of speed, and assurances of safety demanded in present railway management dictate the justice of this policy within reasonable limits. It is only by its operation that the Union Pacific could stand to-day, as it does, in the very front rank of first-class roads. In fact, the Supreme Court has affirmed this view; it says:

"We think the true interest of the Government is the same as that of the stockholders, and will be subserved by encouraging a liberal application of the earnings to the improvement of the works. It is better for the ultimate security of the Government."

If the view of the Government directors is correct, however, the argument and decisions of courts that whatever, without some defined limit, may be expended in betterments is an addition *pro tanto* to the security of the Government is fallacious. The original excessive cost of the road is an element that can not be eliminated by this process. In proportion as the amounts devoted or diverted to this purpose are permitted or increased, the payments to the Government, which in the premises are the only real security the Government has, are reduced. That the bounds of what is proper in this regard may not be exceeded, the interposition of some tribunal other than that simply of the law-making power is imperatively demanded, if the past policy is to be continued.

A commission or a Government directory, in its personnel professionally competent, plenary authority being delegated to it to command the facilities for intelligent information and action, and with power to conclude negotiations, suggests itself as a necessary requisite in the premises. There is no person or department representing the Government that has this needful authority now. The office of Commissioner of Railroads, as at present constituted, has not the time, the clerical or professional force, nor the pecuniary ability at its command to intelligently deal with all the issues involved. Nor is it provided with the legal authority necessary.

SINKING FUND.

The company rightfully protests that the investment of such a sinking fund for the benefit of the Government (or creditors) as has been accumulated is unjust to it. The fund is not so invested as to earn the full measure of its ability, if properly invested. It tends, therefore, in no practical degree to relieve the debt of the staggering proportions it will have assumed when the time arrives for its payment. If the present policy of percentage upon net earnings, and the investment of the same in a sinking fund, is to be pursued, experience having dictated that some vital essential is lacking to the successful working of the policy, some additional measures must be adopted. The successful working of the policy presupposes two things—the Government securing the full and entire amount of its proportion of the net earnings, and investment of that amount so as to accumulate with reasonable rapidity.

But if the Government is to be reimbursed out of net earnings, the Government directors venture the suggestion that in fact no Department of the Government will ever know, for it is practically impossible to definitely arrive at, what those earnings really are or may be until some competent commission or Government directory is empowered by law to supervise continually and constantly the actual concerns and operations of the company. Aside from this being impracticable, there is grave doubt whether results would then be satisfactory, especially to the Government and public. This for the reason, among others, that conditions which this year might prompt and enable the company to comply with certain demands next year might render such concession a physical and financial impossibility.

But the Government directors are by no means assured that this is the view to be taken of this matter. The principal concern of the Government, in its present financial condition—a matter which should be considered, if anything, of more importance than the immediate recovery of its debt—is that the control, management, and operation of this road should be in honest as well as competent hands. It should of all railways in the country be operated in the interests of the public.

The suggestion that seems, from a careful and as intelligent as possible survey of this matter, the most feasible plan is one that settles, or would settle the most speedily and permanently, this whole question and obviate all the difficulties which surround it. It is that instead of the present requirement of the Government of a certain percentage of net earnings, a fixed sum be agreed upon, which the company would be compelled to pay at stated intervals toward the interest and principal of its debt to the Government. It is true the Supreme Court has decided the company may not be compelled to pay either the principal or interest before the maturity of the bonds. But it does not seem possible that the company can conceive it to be to its interest to longer contest this issue, if reasonable terms are imposed upon it.

In fixing such stated sum the law-making power can resolve upon a just and intelligent figure, with or without consultation with the company, keeping in view the financial condition and abilities of the company, and having due regard to the interests of the communities and of commerce that will be affected. This plan would necessarily effect the immediate and complete suppression of all present controversies and pending litigation, as well as remove any and all cause for the same. The reasons which have existed for complaint and irritation, growing out of these controversies, would fall to the ground. The company would know exactly what it must do, and the Government would have certainty for uncertainty and insecurity—consummations most devoutly to be wished. The Government would still retain the power to alter and amend legislation concerning the company, and would thus hold the means of protecting the interests of the public in its hands. And as regards this, the Government directors would respectfully again call attention to such remarks as have been made touching the creation of a commission, in which the intelligent consideration and control of the matters referred to may be vested.

HOW SHALL THE RIGHTS OF THE GOVERNMENT BE SECURED?

The Government directors are reluctant to offer suggestions in this regard. Yet the purpose of their office would seem almost to exact and enjoin the performance of that function.

The Government is now face to face with the proposition that it shall deal justly with this corporation as it now find it, and at the same time justly with the public and commercial interests. The Government directors have endeavored to present conditions as they exist. The time to deal vigorously with the corporation and to speedily accomplish the purposes now sought, and which the public interest in the past, as now, demanded, was permitted to pass by. This is not offered as a criticism, as the comparative ability required to speak and act in the light of past events as contrasted with those of the future is very slight.

Still this fact, anomalous as it now seems, presents itself, that the Government cannot afford to cripple the road by commanding any acts which present conditions render it probably impossible for the company to perform or which would render its securities of uncertain and merely speculative value. Justice to itself, to the public interest, and to the company dictate this much.

But until some practical and intelligent measures, other than those now prevailing, looking to a solution of the complications referred to, are adopted, the controversies between the company and the Government will continue. The hope that "the managers of these large railway enterprises should be allowed to address themselves to the thorough management of their trust, and to that end they should be dismissed from attendance in Washington to defend themselves in never-ceasing Congressional controversies" (Roscoe Conkling, in the United States Senate, February 6, 1877), will never be ealized.

There is hardly a grander system of railway in the world than the Union Pacific. If its property represented a cost and indebtedness such as its honest building at the present instead of at the time of commercial inflation would involve, and it could control, as a common carrier, without serious competition, the vast resources of the country it traverses, it would be equally grand, as it has been, in its net earning capacity.

The Government has uniformly encouraged and even indirectly assisted the corporation in building the so-called branch lines and extensions of the system. It has done so on the alleged theory that these branches and extensions would operate to the financial advantage of the company and its ability to liquidate its indebtedness to the Government. The Government directors in 1873 called the attention of the Department and Congress to this subject. They said:

"With regard to the advances which the Union Pacific has made in aid of the railroads mentioned, we can but repeat what we said in our report for 1872: 'We do not question the wisdom of a policy which tends to secure to the trunk-line business which the said several roads may command. It could not well afford to have said business diverted from it. The policy, however, should be so ordered as not to interfere with whatever present or future claim the Government may have for reimbursement.' The ability of the company to make the advances referred to tends to show that it could have returned more to the Government than it has, and raises the question of the power of the company to divert its means into channels not authorized by the law. * * * The safety of the Government's investments depends on the future of the road."

Still no restrictions were provided or imposed upon the power (other than the general provision in section 4, act March 3, 1873) of the company to pursue the policy of diverting earnings to the building of these branches. So that now the Government has really a pecuniary interest in these branch lines, stock and bonds of which are outstanding, and some of which are in the hands of others than the company. If searching investigation should establish that these lines have been excessively bonded (which the Government directors are not, however, prepared to assert), and that under the circumstances there was no necessity for the issuance of stock, or at least of its going into the hands of others than the Union Pacific Company, the full force and pertinency of the suggestions of the Government directors in 1873 become very apparent. They address themselves now with equal force to legislative consideration, in view of the increased number and character of the complications that surround the situation. "The safety of the Government's investments depends upon the future of the road." The proposition was true in 1873. It is even more true now. It suggests the fact and its painful relevancy that the inevitable tendency of traffic rates, which the railway manager finds himself utterly powerless to resist, is downward. This has inspired the most strenuous and persistent efforts toward economy in operation. In turn every railway finds itself driven to the extremity of keeping up with, or, if possible, in advance of its competitors, and compelled to adopt every possible device as a means of doing so. These are bald but demonstrated facts.

It is hardly possible that a commission, delegated with authority to perform all the acts within the range of its proposed and proper jurisdiction, could not adequately and with reasonable expedition embrace in its investigations and official functions the specific matters and issues involved in the relations of the Pacific railroads to the Government.

It will not have escaped the observation of the Department that in the condition of present legislation upon the subject, there is no legally constituted power or authority to press a settlement or adjust affairs between the Government and the Union Pacific. The necessity for such a power or authority in some body of individuals is manifest. Each new phase or issue, as it arises, requires some additional legislation. This is naturally tardy and generally in some particular defective. This has been one of the fruitful causes of the lingering and disgraceful contests between the Government and the company. This is really the nutshell in which the causes of these controversies are contained. It ought to be removed. Interests are suffering and being jeopardized for really no good reason whatever.

The condition and prospects of the road, if the theory of the Government directors is correct, require that either Congress or, this being impracticable, a commission duly authorized establish maximum and minimum rates, which may be departed from only when absolute justice shall require it and with the knowledge and approval of such commission, and that special rates be permitted only with such consent. All litigation growing out of alleged extortion, discrimination, or violations of the law applying to rates or the conduct of all railway corporations toward private individuals should be prosecuted by such commission, as the judgment of its members dictate.

The question as to whether the Government should, if competent, or it were deemed advisable by legislation or through the medium of a commission, encourage competition, and thus secure the lowest attainable rates, for the benefit of the public primarily, or restrict such competition within reasonable limits, so far as the Union Pacific and its competitors are concerned, bears directly upon the question and method of the ultimate recovery by the Government of its debt.

The present inability of the company to comply with extremely rigorous demands in this regard such as should, other things being equal, be imposed, is due almost wholly to competition, and the changed conditions it has produced in late years.

If these are held to be objects desirable to be accomplished, a railway commission suggests itself as the most expeditious and intelligent instrumentality, the necessary statutory enactments preceding, by which they may be secured.

The policy of creating commissions of this character has been adopted largely by the States of the Union and is growing in favor. It cannot be entirely serviceable and successful until it shall have been adopted by the General Goverment. In this latter event it is desirable that uniformity in State legislation and in the constitution, jurisdiction, powers, and duties of State and Federal commissions be secured, to the end that harmony and sameness of purpose in those regards may be attained. Methods and measures to formulate into practical shape such reforms as experience and wise legislation shall dictate will be the most readily attained in this way. As this process must at best be slow, the necessity for expedition in taking the initiatory steps is manifest. Mr. M. M. Kirkman, of the Chicago and Northwestern Railway, a gentleman who has won very high distinction as an expert and reliable authority in railway management, cites the fact that the trouble and expense to many railways in conforming to the requirements of State commissions and enactments regarding reports they are compelled to furnish, are quite considerable. In many instances a railroad extends into and is operated in different States. It is required to make reports in and for each several State. Because of the want of uniformity in the character of the demands made upon it, though these demands are all for the same purpose, it is subject to much unnecessary expense and annoyance. Mr. Kirkman is of the opinion that the form of report required by the United States Commissioner of Railroads is thoroughly comprehensive, is the best and most practicable form submitted, and would serve the requirements of every State.

There is no doubt but that the Union Pacific management is subject to much unnecessary annoyance and expense in being continually called upon for statements and reports of every conceivable kind. They are generally of the nature a report of which should be or should have been required to be made to some department of the Government authorized to demand and receive it at the time of the happening of the event or transaction.

CONCLUSION.

The Government directors do not wish to be understood as holding that there is an immediate and specific remedy, by legislation or otherwise, for the evils and complications herein referred to. Experience and intelligence only can elucidate processes and time only can work out satisfactory results. But they are of the unqualified opinion that no practical results will be attained or can be reasonably expected until the Government shall settle upon some definite, permanent, and just policy, with plenary executive authority back of it, looking to a settlement of the issues involved.

They believe that any legislative action taken should be predicated upon as full and complete an understanding of the rate or transportation question as possible; that the company may not be compelled either to resort to what may be, or may be regarded as, extortionate or unjust rates, or to continue the policy of such rates where they are now imposed; and that, above all, that it may not be embarrassed in any efforts it may make, or which it contemplates, to correct existing evils in that regard. That any legislation of a general character should be directed towards securing, if possible, the basis of a paying and profitable rate on through traffic, that local traffic may be relieved of the unjust burden which competitive through rates force upon it, is certainly evident.

The very happy fact that the stock of the company is owned now mainly by investors, instead of speculators, has had great weight with the Government directors. It has conclusively determined in their minds the fact that perhaps above all things that are to be avoided in legislation is the contingency of such terms being imposed upon the company as to render its stock practically permanently non-dividend paying, thus giving it an uncertain and purely speculative value. The result of this would be to utterly discourage all bona fide investors and holders, force the entire volume of stock into Wall street, and finally into the hands of the pure speculator to whom "control is better than ownership, because cheaper," and affording all the necessary means to wreck and prey upon the resources of the corporation. It is difficult to conceive to what unfortunate end the road would come in such an event. It would be ruinous to the road. It would be the destruction of the claims of the Government upon it.

The Government directors frankly confess that this consideration has operated to divest their minds of the conviction, at one time partially entertained by some of them, that statutory prohibition of declaration of dividends upon the stock until the Government's debt is paid should be enacted.

It has been indicated herein as the judgment of the Government directors that while the resources of the Union Pacific are enormous they are circumscribed by competitive conditions which magnify the immense proportions of its indebtedness. While these resources will increase, the complications growing out of these competitive conditions may be expected to increase measurably if not correspondingly.

It has also been intimated, if experience has not in fact demonstrated, that net earnings, upon which the present sinking-fund process is based, is a sort of undefined sum which the Government can never know accurately unless it shall be represented directly in the management and operation of the road. The inauguration of that policy or plan can be contemplated only with the gravest apprehension as to its results.

A showing has been made of how and where the stock of the company has been and is now held.

An exhibit has also been made of the amount, character, and probable value of the stocks and bonds of the branch lines.

The physical characteristics of the road have been considered.

These showings have been made for the purpose of indicating as fully as could be done herein the actual condition of the company's property.

If the Government would take the securities of the branch lines, or require that they be deposited as security additional to that it now has, and fix upon a stated amount to be paid at stated periods, such as would in time liquidate the debt, but which would not compel the company to impose unjust terms upon its patrons, and would justify the Government in prohibiting it from doing so, this controversy might be regarded as virtually settled. The province of the Government directors would then be practically reduced to the single duty of satisfying themselves and being able to affirm that the operations of the company were conducted upon principles and methods of fairness to the public and reasonable profit to itself.

December, 1884.

COLGATE HOYT.
EDMUND L. JOY.
FRANK COLPETZER.
H. L. MERRIMAN.
D. R. ANTHONY.

Hon. H. M. TELLER,
Secretary of the Interior.

Since the preparation of this report the following communications from Charles Francis Adams, jr., president of the Union Pacific Railway Company, marked A, B, and C, respectively, have been received, and, by a vote of the Government directors, they are made an appendix to this report:

APPENDIX.

EXHIBIT A.

BOSTON, *December* 5, 1884.

MY DEAR SIR: There are certain questions of policy connected with any proposed ultimate settlement between the Government and the Pacific railroads which seem to me of great importance. Indeed, I regard a correct understanding of them as essential to the successful working of any plan which may be adopted; and should they be ignored, disaster will in my opinion inevitably result. This disaster, too, will not be confined to the corporations; for the fate of the corporations and of the Government debt, unless I am wholly mistaken, are so interwoven that one cannot be prejudiced without prejudicing the other. I therefore propose to submit my views on these questions of policy through you to the Board of Government Directors of the company for such use as the gentlemen composing the board may deem suitable and proper.

(1) It has been urged in certain quarters that the Government requirements, looking to a more speedy liquidation of the company's debt, should be put extremely high—so high as practically to absorb all net earnings and put a stop to the payment of dividends on the company's stock. Indeed, it has been suggested that such dividends should be prohibited by law altogether until the entire Government debt is wiped out.

I beg to submit that such a course of proceeding would result in consequences hardly less injurious to the Government as a creditor than to the stockholders as its debtors. The inevitable result of putting a final stop to dividends on Union Pacific stock, and consequently depriving it of an investment value, will be to cause it to drift out of the hands of permanent holders into those of speculators. It will tend irresistibly to Wall street. Every one practically acquainted with the course of securities know this to be a fact. There is no competent business man who will deny it; and, indeed, as the books of the company now show, the stopping of dividends even for a few months, and with the belief that it is only temporary, has already caused a most unfortunate reduction in the number of small, permanent shareholders. Within the last six months a considerable body of investment stock has passed into speculative hands, although not yet sufficent to control the property.

I, therefore, consider that we may take this as an indisputable basis on which to forecast future events in certain contingencies. Accordingly, if the Government, by depriving the company of the power of paying dividends, drives its stock into the hands of Wall street speculators, the property will take the course which other well-known properties have taken in the past. It will share the fate of the old Erie, for instance, and of the Wabash. It will, with absolute certainty, and within a time which any one skilled in such matters can measurably forecast, be secured by those who will seek its control simply for the purpose of getting what plunder they can out of it.

From that time forward the roads of this corporation, representing $200,000,000, will be operated as other roads have been operated under similar conditions. Hence I submit that, though the stockholders would be ruined in the first place, the Government would lose what is due it in the second place. The security for its debt would inevitably be destroyed or made away with.

I do not think that any one will gravely maintain that the United States Government can hold its own against the machinations of Wall street sharpers. It is too unwieldy a body to successfully attempt to do so. While officials are endeavoring by every means in their power to perform their duty, street operators will, as every one knows, invariably obtain the advantage of them. The only course which would then be open for the Government to pursue would be to take possession of the property, and itself to manage it. The result could easily be foretold—a Government road, in the position of the Union Pacific and brought in contact with roads handled by private parties, would scarcely pay operating expenses. Meanwhile, before this, whatever assets the company had, to which the Government lien did not strictly attach, would have disappeared.

I accordingly submit with confidence that it is not for the interest of the Government to insert in any bill which may be prepared, a clause depriving the company's stock of its investment value. It will be deprived of that value should the power of declaring dividends upon it be stopped. I therefore contend that it is for the direct and manifest interest of the Government that the directors of the company should be responsible for its management and should be intrusted with the usual power of declaring dividends out of legitimate net earnings after all annual claims of the Government under any bill which may be framed shall have been satisfied. Of course I have no objection to any penal provision being inserted which Congress may see fit to insert, making the directors criminally responsible for declaring or paying a dividend which has not been fairly earned; but I do insist that, after this liability, of such a character as Congress sees fit to declare, has been imposed, they should be intrusted with the usual responsibility of directors in full control of an ordinary property.

But it may be urged that this has been the case heretofore; the threat of the penitentiary has always hung over the directors, and yet it has not prevented their declaring dividends which have not been earned. This is an entire mistake. It is true that recently one or more dividends have been declared which had not been earned within the year during which they were paid; but no dividend has ever been declared which was not paid out of surplus earnings in excess of every Government demand, the securities representing which were then in the treasury of the company. This the books of the company will show, and any expert that the Government will employ to examine them will so report. In regard to this point there should be no mistake. The charge that any dividend has been made on Union Pacific stock which had not previously been fairly earned is one which has only been advanced through ignorance or malice. It would not stand a moment's legal investigation.

(2) I would also deprecate, in the strongest possible manner, any attempt to tie up the responsible direction of the road in the matter of the disposition to be made of the company's assets. Much has been said of late in regard to the connections of the Union Pacific road. It has been alleged that they were, in railroad parlance, "suckers." By this it is meant that they fail to pay their operating expenses, and so deplete the resources of the main line, instead of increasing them. This is a wholly erroneous view of the situation. The branches and auxiliary lines of the Union Pacific road to-day constitute the only real security the Government has for the repayment of its indebtedness. It is true that certain of those lines may not, according to the returns, pay the interest on their cost. Some of them, possibly, may not pay operating expenses. Meanwhile, those who advance this criticism fail to take into account the fact that it is the business to and from these auxiliary lines passing over the main line of the Union Pacific which gives that line its most certain revenue. Full trains of loaded cars pass daily between Omaha and the points where these branches connect with the main line, earning money with every revolution of their wheels. Were it not for these branches, the Union Pacific would be confined to such small local traffic as it could pick up at points directly upon its main line, and to its share of the through transcontinental business which has recently been subdivided by four through the construction of competing routes. If this were so, I should, as president of the Union Pacific, at once advise the stockholders to surrender the property to the Government. In my opinion, it would not be worth the amount of the first mortgage upon it.

Such being the case—and I maintain with the utmost confidence that no man of experience in railroad matters in the country can be found to deny it—it is obvious that in future the company must be left free to develop as the exigencies of the case shall require, or else it will lose its traffic. Other lines are continually pressing in upon the territory which the Union Pacific has hitherto served. It is a race in which he who stops falls. If, therefore, the directors of the Union Pacific, under the impression that they are either too incompetent or too corrupt to exercise safe judgment in regard to railroad management, are to be tied up in such a way that they cannot do what the occasion may hereafter require, the immediate sufferer will again be the stockholder; but after he has suffered the turn of the Government will surely come. The security it has for the repayment of its debt will from day to day be impaired. On this point the judgment of all competent railroad men will be found to agree with my own.

I, therefore, would, in the second place, urgently insist that any bill which Congress may frame or pass looking to a permanent settlement of this question will fail in its purpose unless, so far as future development is concerned, the board of directors of the Union Pacific is intrusted with that power which other boards of directors with whom they are in competition uniformly have. To retain their traffic they must be able to extend their system when occasion requires. The exercise of this power on their part in the past has given the company its present value. Had the power not been exercised, this property, as I have already said, would, in my opinion, not now be worth the amount of the first-mortgage bonds upon it. The exercise of the same power will inevitably be necessary in the future, and there is even less reason to fear that it will in future be abused than there is evidence that it has been abused in the past.

Finally, I would submit that, as between the Government and the company, there are two practical courses now open, and two courses only. One or the other should be adopted. Either the Government should take this property and manage it, or else the Government should leave the stockholders to manage it, insisting only on what, in a commercial sense, is the second-mortgage security. Let the Government have whatever a money-lender in the markets of the world would claim and get from a debtor whose property he did not take. But beyond that it should not go. In its desire to secure itself it should not so hamper those who are nominally left in control that they cannot really be responsible for results. Let the Government be responsible, or let the directors be responsible, the latter, if need be, with the penitentiary always before them. But any bill which seeks to so tie things up that neither is responsible will only result, in my opinion, in certain disaster to both.

I remain, &c.,

CHARLES F. ADAMS,
President.

COLGATE HOYT, Esq.,
Chairman Board of Government Directors,
Union Pacific Railway Company.

EXHIBIT B.

BOSTON, *December* 24, 1884.

DEAR SIR: That the Union Pacific Railway Company, up to the year 1878, when the Thurman act was passed, had no intention whatever of making any provision to meet the Government debt which matures in 1896 has been so frequently asserted that it is now taken for granted as an admitted fact. Yet this assertion is wholly erroneous. Though my connection with the Union Pacific as a stockholder dates only from 1881, and though I have been on its board of direction for less than two years, yet I am able to state with emphasis that there has been no time in the history of the company, so far as I can ascertain, when there was not in the minds of the directors a settled plan as to the manner in which the Government debt should be paid at maturity.

I was a Government director myself for one year—1878. As a Government director I had one, and only one, conversation with Mr. Gould, then in practical control of the company. That conversation related to this very subject. So far from having any design of evading obligations to the Government, Mr. Gould, I remember, then submitted to me a plan for meeting them in advance of maturity. This plan was no more than a development of that which had already long existed in the minds of other of the company's directors.

Briefly, it was this; and I do not hesitate to say that, in my opinion, it was the most beneficent the most business-like, and the most financially sound of all the plans to meet the obligations to the Government which have yet been suggested: Accepting the Union Pacific as the first of the transcontinental routes, the plan of the directors was to secure for it, through an auxiliary system, a practical control of the vast region of country then occupied by railroad companies which lay both north and south of the original line. This auxiliary system was to be constructed out of the surplus earnings and other spare income of the company, and the bonds and securities representing it were to remain in the Union Pacific treasury as assets. Before the year 1880 this plan had been developed to such an extent that the company then owned 600 miles of auxiliary road, represented by thirteen millions of stock and bonds.

But it is often asserted that these auxiliary lines are in the nature of "suckers," so called, and not feeders, of the Union Pacific. The main line, it is said, would be better without them. I have to say that this view also is totally erroneous. Were it not for these auxiliary lines the Union Pacific Railroad proper would to-day not be worth its first-mortgage bonds, and would hardly be able to meet the interest upon them. This subject I have already dwelt upon in a previous letter. Nevertheless, the popular misapprehension in regard to it is so great that the other side of the question has to be stated, and again restated before it is appreciated. The Union Pacific now lives and gets its profit, not from the through business which goes over it as a transcontinental route, but from the full trains of cars which pass to and fro between its terminus and the points of junction of its branches. These trains are earning money for the main line every mile they are hauled. It is the receipts from them, coming directly into the treasury of the company as earnings on its main line, which to-day constitute the vastly greater portion of the company's profits. Were those branches disconnected and turned over to other or competing lines the Union Pacific could not now or hereafter hope to repay any part of its debt to the Government.

Such being the case, the plan of the management of the road down to the year 1880 was, from a railroad and business point of view, the soundest that could be devised. Surplus earnings were turned into the business, as it were. They were represented there by assets, in which lay the control of the auxiliary system which secured to the Union Pacific that traffic on which it lived. Thus, practically, the surplus earnings of the company, after the payment of reasonable dividends to the stockholders, constituted a fund which was regularly applied to the railroad development of the neighboring region, furnishing what was imperatively needed and at the same time giving to the Union Pacific the bulk of its most remunerative traffic. The Thurman act superseded this plan. The money which had theretofore been turned into the business and made of inestimable service in developing the country was, by the operation of that act, diverted to a sinking fund. In place, therefore, of supplying Nevada, Utah, Wyoming, and Idaho with railroads, and insuring large profits to the Union Pacific, this money was placed where it has, as the record shows, failed to be of use to any one. In the sinking fund it has not earned 2 per cent. interest, instead of the 50 per cent. which it would have earned had it been applied according to the policy of the management. Neither have the people of the interior got the railroads they needed.

The plan of the directors was to continue the system I have described. They believed that by the year 1894, when the Government debt would become due, the assets in the company's treasury, representing its auxiliary system, would be at least $80,000,000, and not improbably $100,000,000. The company would then have been in a position to meet the Government and offer it this large railroad property as security for its debt. That it would have been ample security I do not question. I think that no railroad man familiar with the situation would question it. Had the Government then declined to renew its loan upon this security at a reduced rate of interest, it would have been possible for the company to go into the money market, and, placing a mortgage upon the whole property, to raise the sum necessary for paying the Government off. As I have said, under the operation of the Thurman act it was not possible to continue this policy of the directors. The sinking fund was substituted in its place, and the course of events has proved the sinking-fund plan a failure.

It only remains to endeavor to devise some new policy which shall enable the company to meet its obligations. This question is now before Congress, and I do not propose to discuss it. Meanwhile, it is right and proper that the Government should understand that, in future, the company will not be able to carry out the sinking-fund policy, or even the semi-annual policy if imposed upon it by law, and also to develop its auxiliary system. The money which would suffice for the latter purpose will have to be devoted to the former. This seems to me, from every point of view, most unfortunate. Only by building up its auxiliary branch system could the Union Pacific accomplish what should have been its destiny. It ought to have supplied the interior of the continent with that railroad system which must be supplied to it from some source before development is possible. I believe that, with the assistance of the Union Pacific auxiliary system, even in its present incomplete form, the Government is reasonably sure of receiving back what the company owes it. Nevertheless, the larger and more publicly useful plan which the management of the company had devised has been destroyed. Every step to protect itself which the Government has hitherto taken has resulted, according to my best judgment, simply in depriving the interior mountain region of the continent of its railroads, and diminishing the security for the repayment of the Government debt.

This view, I know, is one not commonly taken. Newspaper critics especially will, I presume, treat it with derision. Nevertheless, that it is true is a thing of which I feel myself the most absolute assurance, although I had no share in that original policy which I have described. I think, also, it will be found that those most competent to offer an opinion would agree with me. In any event, it seems to me proper that this aspect of the question should be placed on record and brought to the notice of members of Congress.

I remain, &c.,

CHARLES F. ADAMS, JR.,
President.

EXHIBIT C.

BOSTON, *December* 26, 1884.

MY DEAR SIR: Inquiry has of late reached me from several different quarters as to what the Union Pacific Railway Company now desired, or was endeavoring to obtain, in the way of legislation at Washington.

As very erroneous statements on this head are often met with in the columns of the daily press, it may be well to explicitely define what the position of the company really is. I will, therefore, say that the Union Pacific Railway Company at this time has no scheme in regard to meeting its Government obligations which it is endeavoring to have incorporated into law. The original policy of the company in this matter I have endeavored to describe in another communication. Its policy was, in brief, to treat the debt it owed to the Government as it would any other debt. When the debt matured it would have to be provided for at the peril of the company. If it was not provided for it would be a valid lien upon the property, which would cause it to pass out of the hands of its owners and into those of the creditor.

With this well understood liability impending, the scheme of the directors was to yearly invest large amounts of surplus earnings in additional railroad construction, the assets representing which would constitute a species of sinking fund in its treasury, offsetting in so far the debt. As I have also said, of all the schemes yet devised this seems to me to have been at once the most beneficent to the country, the most practical and business-like, so far as the corporation was concerned, and that which afforded the best security to the United States. Nevertheless, Congress intervened, and, by the passage of the Thurman act, made it practically impossible for the company to continue this policy. The money which theretofore had been devoted to railroad building was, under the operation of the Thurman act, diverted to the sinking fund.

This action of Congress having substituted a new plan in place of that of the company, it only remained for the directors to conform as best they could to the conditions thus prescribed, and to do whatever was in their power to carry out the policy imposed upon them. Such is their position at this time. They are prepared loyally to conform to the terms of the Thurman act.

Meanwhile, as I understand it, the heads of the national departments and all the leading members of Congress agree that in practical operation the sinking-fund provisions of the Thurman act have not proved a success. This is evident also from the fact that the money turned into the fund has failed to accumulate at all as it was supposed it would. The investments provided for cannot be made at a profit. Under these circumstances the policy of the company is simply to await the action of Congress. It has nothing whatever to propose. It has been incorrectly stated that the 60-year funding bill (so called) advocated by Railroad Commissioner Armstrong emanated from this company. On the contrary, the representatives of the Union Pacific were not consulted in the preparation of that bill. Neither do they now seek to secure its passage. They have always been ready to afford every possible information in regard to their position and resources which officials of the Government may call for. They have also very distinct ideas as to what the resources of the company will enable them to do. Meanwhile, apart from this, they await such action as Congress in its wisdom may see fit to take. They are prepared to do whatever it is possible for them to do to meet the requirements of any new law which may be passed.

I am free to say that, should such a measure as that known as the Thompson bill, which passed the House of Representatives during the last session of Congress, become a law, I do not, from such examination as I have been able to make, see how the company could live up to its requirements and make any return to its stockholders. No railroad can be prosperous the whole of the net income of which is absorbed in fixed charges and dividends. A considerable part of its surplus income—and in the case of the Union Pacific that would amount to a very large sum—must annually be put into the property if the property is to be kept up to the standard. This is peculiarly the case with any railroad in an undeveloped country. A large amount of money must, so to speak, be plowed into the soil every year, otherwise the property will deteriorate.

My investigations lead me to suppose that, should any bill of the nature of the Thompson bill become a law, largely increasing the requirements which the company must pay into the sinking fund, there would not remain an amount of surplus revenue which would more than suffice for keeping the property in a stationary condition, without any provision being made for necessary development. Nothing would remain for the stockholders, and the value of the stock would depreciate accordingly. I therefore should regard the passage of this act as most unfortunate, not only for the stockholders of the company, but for its bondholders also, as well as for the United States. I think it would have a strong tendency, which I have already in another letter described, to send the stock into the hands of those who would manage the property simply for what they could get out of it, and without regard to its preservation.

I am well aware that I may be wholly wrong in apprehending such a result. Nevertheless I give it as my best judgment up to this time. Should the 60-year funding bill now before the Senate become a law, I am under the impression that it would not impose an obligation greater than the property could bear. It would absorb annually a large sum of money, which, in my opinion, would in the general interest be much better applied to construction. Could I have my way, therefore, acting for what I believe to be the benefit of both the company and the Government, instead of using this money in the way proposed I would, under any restrictions which Congress might impose, apply it to the construction of additional lines of railway, the first-mortgage securities of which should be placed in the hands of the Government as an offset to our maturing debt. In that way, in my belief, the utmost benefit would be secured to the company, to the people inhabiting the interior mountain region of the country, and ultimately to the United States. It would be such a measure as this that the company would advocate, did it now advocate any measure at all. Meanwhile, it does not see its way to doing so. Its attitude, accordingly, is an expectant one. It waits to see what rule Congress in its wisdom shall impose, and when that rule is imposed it will live up to it, if it can. If upon a fair trial the burden exceeds the company's strength, we do not doubt that, in the interest of all concerned, Congress will modify it.

Trusting that I have made myself clear in the above explanation,

I remain, yours, very truly,

CHARLES F. ADAMS, Jr.,
President.

Colgate Hoyt, Esq.,
Chairman Union Pacific Board of Government Directors.

REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILWAY COMPANY.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES, TRANSMITTING THE LAST ANNUAL REPORT OF THE GOVERNMENT DIRECTORS OF THE UNION PACIFIC RAILWAY COMPANY.

[Senate Ex. Doc. No. 73, Forty-ninth Congress, first session.]

EXECUTIVE MANSION,
February 15, 1886.

To the Senate and House of Representatives:

I transmit herewith, for the consideration of Congress, a communication, under date of the 9th instant, from the Secretary of the Interior, and the accompanying last annual report of the Government directors of the Union Pacific Railway Company.

GROVER CLEVELAND.

DEPARTMENT OF THE INTERIOR,
Washington, February 9, 1886.

SIR: I have the honor to submit herewith, for transmission to Congress, the last annual report, dated January 30, 1886, of the Government directors of the Union Pacific Railway Company.

Very respectfully,

L. Q. C. LAMAR,
Secretary.

The PRESIDENT.

NEW YORK CITY, *January* 30, 1886.

SIR: The present Board of Government Directors of the Union Pacific Railway Company were all appointed during the past summer.

They met for the first time and organized at a regular meeting of the company's board on August 12, 1885.

Pursuant to law, one of the Government directors was on that day appointed upon each standing committee of the board, as follows:

On executive committee, E. P. Alexander; on Omaha Bridge committee, J. W. Savage; on land committee, M. A. Hanna; on railroad connections committee, Franklin MacVeagh; on finance committee, F. R. Coudert.

Before this meeting, one of the Government directors, Mr. Alexander, had visited Denver, at the request of Mr. Adams, the president, to examine into and report upon some differences which had arisen between the local officers of the company on the Kansas Division, and an organization of the company's employés as Knights of Labor. The differences were afterwards settled in accordance with his report.

On the 15th September Messrs. Savage, Hanna, and Alexander met at Omaha for the purpose of making an inspection of the company's principal lines. The other members of the board were unexpectedly detained and unable to join in this inspection.

The object of this inspection was rather to give the directors a personal knowledge of the general condition of the company's lines and character of its business, and of the communities and industries which are dependent upon it, than to enable them to make any detailed report of the physical condition of the property. A special examination and report by an expert upon this subject is made annually by the Commissioner of Railroads, and has already been submitted to Congress.

THE CHINESE MASSACRE AT ROCK SPRINGS.

Soon after entering upon this inspection the directors received from a committee of the citizens of Rock Springs, in Wyoming Territory, an invitation to stop at that place and investigate certain grievances which, it was claimed, had caused the atrocities known as the Rock Springs massacre, occurring on September 2, 1885.

Pursuant to the invitation they spent two days at the scene of the occurrence and invited the utmost latitude in the presentation of complaints. As the statements made to them were not under the sanctity of an oath, and as there seemed to be a general wish on the part of the residents to justify, or at least palliate, the conduct of the mob, it is not probable that any serious accusations were omitted. Stenographic reports of the various statements were kept and are readily accessible.

The conclusion forced upon the directors was that the massacre was without cause or excuse, unless a violent and wide-spread race prejudice may furnish the latter. To such feelings, however, the governor of Wyoming afforded a conspicuous exception. His firmness and courage, together with the ready response made by the President to his requisition for troops, prevented a more general uprising, in which the property and interests of the Government and the road might have been alike sacrificed.

All efforts to punish the perpetrators of these crimes have thus far proved fruitless.

RELATIONS OF THE RAILWAY COMPANY TO THE GOVERNMENT.

The salient feature in the relations of the Union Pacific to the Government is that the road is a debtor to the Government to a very large amount, the debt being secured only by a second mortgage upon a portion of the property of the company. Under these circumstances there has grown up an uneasiness on the part of Congress lest the debt to the United States might be finally lost, and legislation has been had with a view to prevent that result.

But the legislation had so far seems admitted upon all sides to have failed of its object and to have brought about a state of affairs which calls for early action.

For some years every Secretary of the Treasury, every Commissioner of Railroads, and every board of Government directors has reported to Congress that the Thurman act, under conditions changed since its passage, is yearly locking up in comparative idleness large sums of money, to the mutual loss and injury of debtor and creditor.

It is probable, therefore, and certainly seems desirable, that early Congressional legislation will be had upon this subject.

In the consideration of the various measures that will doubtless be proposed, nothing can be more important than that the Government should [illegible] as clear an estimate as possible of the real value of the property upon [illegible] debt rests, of the load which its debtor carries, and of his ability to bear it.

The figures upon which such estimates must be made are found at length in the last annual report of the company; which report it would be invidious not to compliment for its exceeding fullness and clearness, and its many valuable tables.

The Government directors have endeavored from this report, with the assistance of the officers of the company, to make up a statement, brought down to a later date, and not so formal as the usual balance sheet, but which shall present, in small space and simple form, a clear idea of exactly what the company has and what it owes.

Its assets are of various kinds, such as miles of railroad, branch lines owned in whole and in part, land grants, unfinished construction, and stock and bonds of other corporations.

Its liabilities are also of varied character; bonds based on its main lines and branches, bonds based on its lands, requirements of the Government, stocks of main line and branches, and floating debt.

The simplest units of value in which to estimate the liabilities of railroad corporations and their ability to meet them are load per mile of railroad and earnings per mile. In these all of the assets and liabilities may be massed and compared with each other, and comparisons may be also made with other systems.

The following statement exhibits the entire mileage of the system, including all its finished branches, on September 30, 1885, and its total liabilities for bonds and stock in the hands of the public, and its floating debt. In the bonded debt is included the $35,140,000 United States subsidy bonds issued in aid of the Union Pacific and Central Branch, and $16,564,331 balance of interest on the same, less the sinking fund in the hands of Government.

Debt and stock per mile.

	Miles.	Bonds and United States debt.	Floating debt.	Stock.	Total.
Union Pacific Railroad Company and Omaha Bridge	1,832	$70,218	$1,550	$33,130	$104,898
Branch lines	3,308	9,263	....	3,402	12,665
Union Pacific system	5,140	30,993	553	14,000	45,546

But against this indebtedness the company has other assets than the road itself, consisting principally of land and land assets, and stocks and bonds of its branch lines, and of other corporations.

By land assets are meant notes and deferred payments on land sold on time, and cash in hands of trustees for the purpose of retiring the bonds of the company. As the assets are realized, and the unsold lands disposed of, a portion of the bonded debt shown above will be retired. The land assets and estimated value of unsold lands are therefore legitimate offsets to a portion of the bonded debt. The amounts are as follows:

Land assets and land per mile.

	Miles.	Lands assets.	Unsold lands.	Total.
Total amount owned	......	$17,795,163	$10,630,459	$28,425,622
Per mile Union Pacific	1,832	9,713	5,803	15,516
Per mile system	5,140	3,462	2,068	5,530

The stocks and bonds of its own branch lines, which the company owns, cannot be treated as assets, for, if any of them were realized upon by being sold to the public, they would at the same time become outstanding liabilities.

The company owns also a considerable amount of stocks and bonds of other corporations, not included in its system, but related to it in greater or less degree. This is a legitimate asset, but it is considered best here not to consider it as an offset to the company's liabilities. It may be treated as property which the railroad finds it advantageous to its business to hold, and all annual income which it yields may be treated as earnings of the system.

To arrive now at what an average mile of the system is worth in earning power, and what annual charge is imposed upon it by the above obligations, we will take the business for twelve months ending September 30, 1885, and show the earnings of the whole system and the disposition made of them:

	Union Pacific (1,832 miles).	Branch lines (3,308 miles).	Whole system (5,140 miles).
Gross earnings	$17,462,618	$11,201,550	$28,664,168
Expenses and taxes	8,958,722	8,788,278	17,747,000
Net earnings	8,503,896	2,413,272	10,917,168
Income from investments	748,669	5,688	754,357
Total income	9,252,565	2,418,960	11,671,525
Coupons, interest, &c	5,734,431	1,859,420	7,593,850
Land taxes and expenses	39,141	1,099	40,240
Sinking-fund requirements	597 535	....	597,535
Total fixed charges	6,371,107	1,860,519	8,231,625
Net income	2,881,458	558,441	3,439,900
United States requirements	1,115,980	16,680	1,132,661
Surplus	1,765,478	541,761	2,307,239

From the three tables above we may now condense as follows, for 12 months ended September 30, 1885:

Debt and earning power Union Pacific system per mile.

	Union Pacific (1,832 miles).	Branches (3,308 miles).	System (5,140 miles).
Gross debt, bonded, floating, and United States	$71,763	$9,263	$30,993
Land and land assets	15,516	....	5,530
Net debt	56,247	9,263	25,463
Stock outstanding	33,130	3,402	14,000
Gross earnings	9,532	3,386	5,577
Net earnings	4,642	730	2,124
Income from investments	407	2	147
Total income	5,050	731	2,271
Fixed charges and sinking funds	3,478	562	1,601
Net income	1,573	169	669
United States requirements	609	5	220
Surplus	964	164	449

It will be understood that the Union Pacific Railway Company, while it controls the 3,308 miles of the branch lines represented above, is not their sole owner. They are represented by many other incorporated companies, of which the Union Pacific Company owns the stock in whole or in part. Its average ownership is about 75 per cent. of their stock and 50 per cent. of their bonds. That will explain why the apparent issue of stocks and bonds upon those lines is so small, aggregating only $12,665 per mile, whereas the cost of the roads must necessarily have been much greater.

The above table shows only what is in the hands of the public. The excess of cost of the roads, above the proceeds of the $12,665 in stock and bonds, represents the investment of the Union Pacific Railway Company, and has been paid for in full, except so far as it is still carried as a floating debt.

BRANCH LINES.

The directors cannot emphasize too strongly the value to the Union Pacific of its auxiliary or branch-line system, as a whole. Some of the lines, it is true, are injudiciously located and in themselves are only operated at a loss. But as feeders to the main line, all have a value which does not appear on their own balance-sheets.

In fact, without them the main line would to-day be a bankrupt property. Figures showing the exact value to the main line of the branch-line business have not, until recently, been kept. As far as ascertained, however, they indicate that the annual gross income of the main line, from the branch-line traffic, for the year past, was about $5,000,000. As this traffic is handled with less average expense than traffic originating on the main line, the officers estimate that the net value to the company of this business was about $3,500,000. If the net earnings of the company were reduced by that amount it could not meet its fixed charges and the requirements of the Government. The transcontinental business, which a few years ago made it rich and prosperous, is now divided over so many routes that the gross receipts of the Union Pacific from the Pacific coast business for the year ended December 31, 1884, were only 9.3 per cent. of its gross earnings, although the natural advantages of the route are certainly not inferior to those of any other line.

But valuable as the present auxiliary branch system may be it is far below the development which it must have to properly occupy the local territory tributary to the road, and which will certainly be occupied by its rivals if neglected by the Union Pacific.

Already its rivals, some of them among the richest and strongest corporations in the United States, are actively at work extending their lines to reach business which is now tributary to it. This is not to be regretted, being but a healthy indication of the rapid growth and future prospects of the country. But it makes it of the utmost importance to the road, and to the Government as its creditor, that the Union Pacific should be as free as any of its competitors to build or acquire branch lines, or valuable connections by any of the usual arrangements among railroads for such ends. Otherwise it must be a fatal disadvantage in the competition for territory and future business, and the development of the country tributary to it must languish.

Reference has already been made to the repeated recommendations of Secretaries of the Treasury, Commissioners of Railroads, and Government directors that some final legislation should be had upon the relations of the road to the Government.

The above considerations emphasize these recommendations.

As matters now stand, the debt of the road is growing larger from year to year, and the time of its maturity is not far distant. The uncertain attitude and intentions of the Government are calculated to impair the credit of the company, and not only hamper it in efforts to secure its present and future business on a safe foundation, but even, in case of serious financial crises, to threaten grave present disaster.

This is so clear and so simple that no argument seems necessary to enforce it.

The Government is the principal creditor of the company, and has power to precipitate it into bankruptcy should it choose to exercise it. To let matters alone is practically to exercise the power, for every year that a settlement is postponed the position of the company is weakened.

The course of the Government should be that which any practical business man would pursue with a private debtor in a similar situation.

He would first estimate carefully the value of the debtor's business, and decide whether it was such that it could reasonably be expected to pay off the debt, if extended and made to fall due in instalments.

If satisfied that it could, the creditor, while maintaining his lien upon the property, would promptly make whatever announcements and arrangements might be necessary to establish the general credit of the debtor in his business, and enable him to extend it, and put it upon the firmest foundation possible.

And in estimating what extension of time could be given, and what instalments should be paid, a prudent business man would allow some margin for possible fluctuations in business, as well as a reasonable support for the debtor, to assure a faithful and competent management of the business.

It is for Congress to apply these principles to the case of the Union Pacific road.

PROPOSED LEGISLATON.

The present Commissioner of Railroads in his report of October 27, 1885, makes the following recommendation:

"In the seven years since 1878, only the sum of $3,560,807.60 has been paid into the sinking fund, which has produced in interest but $437,524.03. This proves that the law of 1878 cannot accomplish the object intended—that of furnishing a sum sufficient to pay the debts due from the Pacific railroad companies to the United States. It is therefore urged that it will be alike advantageous to the Government and to the Pacific railroad companies to substitute for the present law one fixing an annual or semi-annual payment, by the companies concerned, which should extinguish their debts to the Government in a reasonable time, as is proposed in two bills reported by Senator Hoar in the last session of the Senate, viz: S. 2663 and H. R. 6771."

The principle upon which these bills propose to adjust the indebtedness to the Government of the Union Pacific and other subsidized roads is as follows:

First. The present value of the debt which will be due at the maturity of the bonds is to be arrived at as if the whole amount was to be paid in cash to the United States on a given day.

The method prescribed for making these calculations seems not strictly equitable between the Government and the railway company in two respects, one operating in favor of the Government and one against it.

The whole amount of the interest yet to accrue upon the subsidy bonds is considered as not falling due until the maturity of the bonds, and the whole amount is therefore discounted for present value. But, in fact, the Government is entitled to receive partial repayments each year, to the amount of 5 per cent. of the net earnings of the subsidized line, and one-half of the amount of transportation service rendered it by the company. This amount, for the year ended December 31, 1884, was about $737,574. Should it averageas much for the remaining twelve years after July 1, 1885, before the bonds fall due, the Government would have earned meanwhile an average of about five and a half years' interest, at 3 per cent., upon eleven times the above sum, and this interest should be added to the amount due at the maturity of the bonds before discounting it for present value. Here the method prescribed operates against the Government, to the amount of about $984,335 on figures supposed above.

On the other hand, however, the bill prescribes that the sinking fund belonging to the road, on the prescribed day, shall be applied as cash on that day to the partial extinguishment of the interest already paid by the United States upon the subsidy bonds. The amount in the sinking fund July 1. 1885, was about $5,522,344. But the debt to which it is thus proposed to apply this amount will not be due for twelve years, and should also be discounted for the present value before being paid in cash. Otherwise the company would lose the present value of the interest upon this amount for twelve years at 3 per cent, or about $1,461,797.

The present worth of the debt being arrived at, as above, upon a given date, the bills referred to next direct that that amount shall then be assumed by the railway company in final settlement, [illegible] be-paid with interest in annual installments covering a period of years, the present lien of the Government meanwhile attaching to all of the property of the company, and surviving undiminished until the whole sum is paid.

Three plans of adjusting the annual amounts to be paid have been suggested. The first requires that interest shall be paid, with each annual installment of the principal, upon all of the principal yet outstanding. This would make the first payment very large and the last very small.

The second plan requires that interest upon each annual payment shall be allowed to accumulate until the principal becomes due. This would make the first payments very small and the last very large.

The third plan equalizes all payments, by calculating interest upon the sum to an average date, adding this interest to the principal, and dividing the amount by the number of payments.

In selecting among these plans, the first consideration will be the probable ability of the railway company to live under them. As above stated, it is desired from all points of view that the annual burden should be so proportioned to the strength of the company that there should be left a margin of safety for bad years, and the ability to develop its territory by branch lines and feeders and hopes of reasonable dividends to the stockholders.

The Thurman act gauged its demand of the company upon this standard. Senator Thurman stated, when reporting it, "that the committee had recognized the fact that it is for the interest not only of the companies, but of the country and the public that the stockholders should receive some reasonable dividends, because where roads pay dividends they are always better managed than where they pay none."

In his report for 1883 the Commissioner of Railroads remarks: "It would seem to be of less consequence whether the debt be paid in fifty or sixty, or even a hundred years, if its ultimate payment be absolutely assured, than that oppressive burdens be imposed upon the commerce between the Atlantic and Pacific coasts. A proper net compensation must remain to the owners of the roads, if they are to receive the watchful care and necessary maintenance which safety and success demand.".

The first plan, making the largest payments come first, would seem to bear too heavily upon the company to allow the building of branch lines, or any prospects for the stockholders, or margin for safety in case of decreasing business.

The second plan, requiring the smallest payments first, imposes a lighter immediate burden than the property can easily bear.

The third plan of equalized payments seems to meet the requirements of the case most equitably, and, by extending the period of repayment, the burden can be adjusted as may be desired.

The following statement will illustrate the subject more fully, exhibiting the annual payments which would be required for the various plans and periods, in comparison with the requirements under existing laws, as applied to the business of the system for the twelve months ended September 30, 1885, and the balance of income which would be left available for dividends or contingencies. The calculations are made as if for a settlement upon October 1, 1886.

The net earnings of the system, including income from investments, for the twelve months were $3,439,900 after payment of interest on bonds and floating debt, taxes, and sinking funds on company's bonds.

UNION PACIFIC SYSTEM, INCLUDING CENTRAL BRANCH.

Annual amounts to repay United States under different plans and periods.

Plan.	Period.	Annual payment.	Balance income.	Per cent. on stock.
First plan (largest payments first)	60 years, 1st year	$2,675,417	$764,483	1.25
	60 years, 60th year	979,628	2,460,272	4.04
Second plan (smallest payments first)	60 years, 1st year	979,628	2,460,272	4.04
	60 years, 60th year	2,675,417	764,483	1.26
Third plan (equal payments)	60 years, each year	1,830,220	1,609,680	2.64
	70 years, each year	1,692,200	1,747,700	2.87
	75 years, each year	1,636,958	1,802,942	2.96
	80 years, each year	1,588,622	1,851,278	3.04
	90 years, each year	1,508,059	1,931,841	3.17
	100 years, each year	1,443,612	1,996,288	3.28
Under Thurman act		1,132,661	2,307,239	3.79

It has been suggested that the Government should reserve the right to take up the underlying first-mortgage bonds of the company when they fall due, and acquire the lien which those bonds have upon the property. The arrangement would seem to be a desirable one on both sides.

It would make the lien of the Government upon the whole system absolute and entire, and as the Government can borrow money at 3 per cent. it would reduce the fixed charges upon the property about $1,000,000 per annum below the present requirements.

This saving would soon retire the whole issue of bonds, about $35,000,000.

LINES IN PROCESS OF CONSTRUCTION.

The following extensions of branch lines are now in process of construction:

	Miles.
(1) Manhattan and Blue Valley Railroad, Marysville to Garrison, Kans., about	40
(2) Salina, Lincoln and Western Railroad, Salina to Lincoln Center, Kans., about	35
(3) Omaha and Republican Valley Railroad, North Loup to Ord, Nebr., about	11
(4) Same, Fullerton to Saint Paul, Nebr., about	30
(5) Same, Saint Paul to Loup City, about	36
(6) Denver, Marshall and Boulder Railroad, Denver to Boulder, Colo., about	25

The Omaha bridge is being rebuilt with double tracks and carriageway, the present structure not being considered secure.

PAYMENTS BASED ON NET EARNINGS.

Under the existing laws the annual payments by the railway company to the Government are made to depend upon the net earnings of the company. The expression "net earnings" is so indefinite and vague that parties adversely interested will rarely agree upon a definition without the decision of a court upon disputed points, and new points are liable to arise year by year. For this reason alone it is most desirable that in any new legislation the amount of the annual payments should *be a definitely fixed sum*, to be paid absolutely, without regard to net earnings, gross earnings, or any contingency whatever; and, when this change is made in the present laws, the restrictions upon the financial operations of the company imposed to protect the annual net earnings should be removed that the company may be unembarrassed in the use of its credit. As before stated, it is of vital importance to the company, and to the Government as its principal creditor, that the company shall not be left behind by its rivals in occupying adjacent territory with branch lines, and in securing or keeping open important connections. It can only do this by being as free as its rivals are to use its credit promptly as contingencies may arise.

The lien of the Government, of course, should remain paramount and unaffected by any possible event; but under that condition the company should be given full liberty and the usual powers possessed by railroad companies to develop and extend its system and do all things pertinent to its business at its own risk.

The Government cannot undertake to manage the company in whole, and should not assume any partial responsibility, but may feel entire confidence that *it is in no danger of losing the debt.*

As has been shown above, the entire issue of bonds and floating debt upon the whole system is but about $25,000 per mile. Should it become necessary for the Government to foreclose and take possession by any default of the company, it could put a blanket mortgage upon the whole at 3 per cent. which would make the annual fixed charges only $750 per mile on a line now earning an average of about $5,500 per mile gross and $2,000 net.

POSITION OF THE RAILWAY COMPANY.

It is understood by the Government directors that the company does not wish to be considered as itself suggesting or advocating any of the specific measures which have been discussed above, or which may be brought before Congress, further than to point out, to the best of its ability, the probable results of their operation.

It claims that if it had been left to itself it would have been in position to meet all obligations to the Government at their maturity, in its own way, which was to build up a large system capable of raising the amount necessary by a blanket mortgage.

For the position of the company upon this subject reference is made to a letter of Charles F. Adams, jr., president, dated December 8, 1885, hereto attached as Exhibit A.

On this matter the Government directors would respectfully submit that any discussion of what might have been is unprofitable.

The present and the future must now be dealt with, and some early action is of pressing necessity.

And, as some action is necessary, it is most desirable that it may be at once comprehensive and final. For this reason the Government directors confidently recommend early action, and that it should be based upon the principles of the Hoar bill, the period being fixed at eighty years. Under the continued operation of the Thurman bill some further legislation would still be absolutely necessary before the maturity of the debt. This would keep the company and its affairs in Congress for twelve years longer. And under any bill requiring payments contingent upon net earnings, difficulties and questions will continually arise between the company and the Departments.

Under the principles of the Hoar bill the matter may be settled at once and forever, and no longer trouble either Congress or the courts. The company would simply have to make its semi-annual payment or lose all its property, and the amount at risk by the Government would grow less and its security greater year by year.

Respectfully submitted.

E. P. ALEXANDER.
J. W. SAVAGE.
M. A. HANNA.
F. R. COUDERT.
FRANKLIN MACVEAGH.

The Hon. SECRETARY OF THE INTERIOR.

EXHIBIT A.

THE UNION PACIFIC RAILWAY COMPANY, EQUITABLE BUILDING,
Boston, December 8, 1885.

MY DEAR SIR: I find a very general misapprehension as to the position of the Union Pacific Railway Company in regard to legislation affecting it soon to be presented to Congress. It is currently supposed that the company is urging the sixty-year funding bill, so called, and that, if possible, some such measure will be passed at its request and in its interest.

This is an error, and one of which I would be glad to see the minds of members of Congress, at least, disabused. The Union Pacific has had nothing to do with the maturing, and will have nothing to do with the passage, of the so-called sixty-year funding bill, except to point out that certain proposed provisions were unjust or likely to be ruinous.

The question is often asked, What does the company desire? What action does it want Congress to take? On this point I would like to define its position so explicitly that it cannot be misunderstood. What the Union Pacific did desire was to be treated in all its transactions with the Government exactly as it would have been treated in like transactions with private individuals.

It did not ask, so to speak, to be left alone. It did ask that the relations of creditor and debtor, as usually understood, should be observed and maintained. It recognized fully that it owed the Government a large sum of money, just as it owed large sums of money to other people, individually and collectively.

It asked the Government to act towards it as its other creditors acted, that is, the terms of the original contract relating to loans, &c., were to be carried out until the debt matured. If points of difference arose, the courts were to decide them. Then, when the debt matured, if the company could not pay, it would lose its property. Everything it had which the Government lien covered would pass into Government hands in payment of the defaulted debt.

Meanwhile, until the debt matured or default took place, the company asked to be allowed to manage its affairs in its own way. If it could not manage its affairs in its own way, it maintained it should not be held responsible for results.

The Thurman act was passed. It broke up those ordinary relations of debtor and creditor, and established new and undefined relations. The scheme that the company devised and matured for meeting its obligations when they became due was set aside. Its accumulations were taken out of its hands and invested in a manner indicated by the Government, but in which the company had no voice, and in which, also, it felt no confidence.

Since that policy was forced upon it, the company has had no policy of its own. It has waited to have a policy indicated to it. In view of the deficiencies of the Thurman act, the sixty-year funding bill was matured by the late Railroad Commissioner, and first assumed legislative shape in the hands of Senator Edmunds, of Vermont. The company has regarded it throughout merely as an outcome of the previous act. Against the original act the company protested. It disavows all responsibility for it, and for everything growing out of it. That position it still maintains. It has merely sought, as other legislation was suggested, to point out to those who had it in hand defects in it. If certain measures were resorted to, they could lead only to the company's bankruptcy. It was of course bound in self-preservation to present to those measures such objections as lay in its power.

None the less, it should not be supposed, that, as a company, the Union Pacific, in presenting those objections to certain measures, assents to any other measure, or any portion of a measure, passed as a substitute therefor. I am well aware that it still remains responsible for results. If, under the policy that has been forced upon it, the company is not, when the Government debt matures, in position to pay it, it has got to suffer. Nevertheless, it should under no circumstances be supposed that it morally holds itself responsible for the consequences of that which it did its best to avert.

Seven years have passed since the Thurman act became a law. No measure which Congress can now adopt can put things back in the position in which they then were. The seven years are gone, and in twelve years more the Government debt matures. If things could be put back where they were in 1878 the company would unquestionably ask that it might be done. As that cannot be, it only remains to accept such further legislation as may be imposed by superior power, and to use such exertions as may be possible to cause that legislation to result as beneficially as possible. The suggestions and efforts of the company are directed to no other end.

Meanwhile it should not be supposed that it is satisfied with the present situation, or that it is in any way responsible for it or for any legislative measures which may be passed in consequence of it. The company asks to be treated as all other debtors are treated, in strict accordance with the terms of its original contract as interpreted by the courts.

I remain, very truly yours,

CHARLES F. ADAMS, JR.,
President.

E. P. ALEXANDER,
Chairman Board of Government Directors Union Pacific Railway.